Daily Report

Latin America

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Leftist Conference Rejects Bush Trade Initiative

PY0507184090 Madrid EFE in Spanish 0437 GMT 4 Jul 90

[Text] Sao Paulo (Brazil), 4 Jul (EFE)—Representatives from 50 Latin American and Caribbean leftist organizations today condemned President George Bush's economic program to open trade borders throughout the continent.

The 100 delegates who attended the first meeting of Latin American and Caribbean leftist parties and organizations, which ended in Sao Paulo today, have issued a communique. The document, which was approved by most of the delegates, states that the Bush plan "is a measure that, instead of curing the illness, makes it worse."

According to the political leaders, Bush's proposal to forgive part—approximately $7 billion—of the Latin American debt to the United States is insignificant since these countries owe a total of $400 billion to international banks.

They also regard as insignificant the U.S. President's offer to grant $100 million in subsidies to governments that implement neoliberal reforms such as privatization. According to the communique, this figure represents only 0.5 percent of a total of $25 billion that Latin America has transferred abroad in the past few years.

They also condemned "the current situation of the capitalist system and the neoliberal offensive unleashed against our countries."

The leftist leaders committed themselves to beginning the renewal of socialism so "we can find new methods to face the great challenges" posed by the reforms in East Europe. The communique states: "We should renew socialism, correct concepts and mistakes, overcome bureaucracy, and search for true democracy."

The political leaders believe that Latin American leftists should look for alternatives to face the new policies "of the imperialism and neoliberal capitalism that offer only suffering, backwardness, and antidemocratic oppression to our people."

The communique stresses the responsibility of the regional leftist sector in promoting the condemnation of "the repeated aggression (of the United States) against Cuba, the Sandinist revolution, the revolutionary movement in El Salvador, and against Panama, whose territory has been violated since December 1989."

The communique also denounces "projects to militarize zones in South America under the pretext of fighting drug trafficking."

The three-day meeting was closed today by Brazilian Workers Party President Luiz Inacio "Lula" da Silva, the leftist candidate who was defeated in the last presidential elections.

The leftist leaders agreed to meet again in Mexico City, probably in 1991, under the sponsorship of the Mexican Democratic Revolution Party.

Cuba

Ministry Expects Panama To Provide Safe-Conduct

FL0507233590 Havana Radio Rebelde Network in Spanish 2304 GMT 5 Jul 90

[From the "Exclusivo" program]

[Text] The Cuban Foreign Ministry has taken due note of the decision of the people that act as government in Panama to reduce our diplomatic mission in that country. The Foreign Ministry recalls that Panamanian citizen Luis Gomez Perez has taken political asylum in the diplomatic mission in Panama and expects Panama to respect the letter and spirit of the Caracas Convention on diplomatic asylum and grant Gomez Perez a safe-conduct to leave the country.

The continuing deterioration of diplomatic relations between Cuba and Panama is a consequence of the U.S. military invasion of that country.

Bush Initiative Termed 'Neocolonization' Attempt

FL0607002090 Havana Tele Rebelde Network in Spanish 1700 GMT 5 Jul 90

[Text] GRANMA today published a front-page article referring to an imminent and new U.S. initiative which does not alter, but only worsens, the old policy of looting.

On 27 June, U.S. President George Bush revealed a new economic initiative for Latin America and the Caribbean which he calls initiative for the Americas. The initiative is founded on three basic pillars: the liberalization of trade, incentives for foreign investment, and foreign debt relief. The program insists on old and worn-out neoliberal formulas. They are, in effect, variations of economic initiatives by previous governments, such as the Caribbean Basin Initiative, the Baker plan, and the Brady plan.

Thus, the current U.S. President forgets that if the region is in such a critical state now, it is precisely because Latin American and Caribbean governments in the past have implemented essentially the same prescriptions that Mr. Bush today is trying to present as new and infallible ways to solve the problems of underdevelopment in the area. It would not be pointless to recall that during the 1987-1989 period, the gross domestic product per capita dropped by 8.3 percent and inflation increased from 57.5 percent to 994.2 percent during the same period, while its debt grew by $103 billion.

From a social viewpoint, during the past decade, only 61 percent of the population had access to health services in Latin America and the Caribbean. Infant mortality was 55 per 1000 live births. Thirty-six percent of the people living in urban areas, as well as 61 percent of the people in rural areas, lived below poverty levels.

These are the results to which the neoliberal policies that are recommended to our peoples again today have contributed.

Mr. Bush's proposal discusses the area of trade relations first. Latin America suffered from an increased—open or concealed—U.S. protectionist policy as of the seventies, particularly during the crisis of the eighties when it was forced to concentrate its trading with that country. The region's trade exchange with the United States during that period suffered a sustained deterioration. The region was forced, during its worst crisis, to send most of its exports to and receive most of its imports from the United States. It is possible to estimate that Latin America lost nearly $30 billion in just the past four years in that area in which the United States has advantages in confronting international competition.

The Initiative for the Americas also proposes a free trade zone for the entire continent and negotiations on a country-by-country basis, as is currently being done with Mexico.

Repeating England's experience of the past century, the United States has repeatedly proclaimed its support for a free exchange policy. Of course, this policy has been applied only in areas where they know they dominate world markets. At the same time, they have discriminated with an ironclad protectionist policy and, without the slightest modesty, favored those foreign products which are more competitive than those produced in the United States.

It is obvious, the GRANMA article says, that the result of the proposed trade liberalization among the enormous U.S. multinational corporations and the weak Latin American enterprises would lead to the disappearance of the latter and the undisputed dominance by the United States in the regional market. This policy would also end any possibilities for European and Japanese products to enter the area and would also allow the United States to fill a trade gap that is now at $10 billion. [recuperando ademas un espacio comercial con el cual acumula un deficit de 10 mil millones]

In the recently launched initiative of the United States for Latin America and the Caribbean, the investment policy holds an equally outstanding position. Taking into account the statistics of its very own U.S. Trade Department, for each dollar the United States invested in the region, U.S. multinational firms earned more that $2 in profits, thus totaling nearly $7 billion in profits last year. With these results in hand, Mr. Bush offers a ridiculous investment fund of $300 million a year. This is less than multinational firms took in profits and interest from Latin America and the Caribbean in only three days in 1989.

The initiative for the Americas could not avoid dealing with the thorny issue of the Latin America and Caribbean foreign debt, which, according to World Bank statistics, amounted to $434 billion in 1989. Mr. Bush's proposal includes a reduction of a portion of the debt

that represents only 2.8 percent of the area's total debt. The proposal also includes a debt swap for the control of geographic zones that supposedly would be preserved by the U.S. Government. Furthermore, this U.S. initiative is presented now, when neither the invasion of Panama nor the unyielding U.S. position on the region's economic demands has been forgotten.

As U.S. arrogance has reached a climax, one cannot forget that this initiative appears within the context of a policy aimed at isolating and destroying the Cuban revolution. The proposal offers an additional incentive in the campaign of pressure unleashed against our country in the region.

Finally, the initiative is presented at a time when the United States is losing ground in all areas of the international economy and under circumstances in which it needs to consolidate an economic space. This requires our peoples to give this initiative a coordinated and strong response against its attempt to establish such a neocolonization that might destroy the sovereignty of our countries.

The joy of some people in Latin America is, for these reasons, obviously premature. We have to organize the common defense lines once more. Cuba will participate in that line.

It is not surprising that Mr. Bush, in a speech aimed at pleasing Latin Americans and Caribbeans, felt it necessary to make Cuba the single victim of his attacks. He said that we are the single exception in a Latin America that is becoming democratic. Cuba's exception, nevertheless, is that it is a country without missing or tortured people, a country where people do not have to loot stores to survive. This really exceptional country wants Latin America and the Caribbean to defend their export capacity. The Initiative for the Americas is not going in that direction, and because of this we criticize it, and we will fight it.

Raul Castro Attends Military School Graduation

FL0507190990 Havana Tele Rebelde Network in Spanish 1700 GMT 5 Jul 90

[Text] Army General Raul Castro, minister of the Revolutionary Armed Forces, this morning attended the national military schools' graduation ceremony that was held at the General Antonio Maceo Interservice School in Santiago de Cuba. Communist Party of Cuba Politburo members Esteban Lazo Hernandez and Vilma Espin, as well as relatives of Jose Maceo, also attended the ceremony. The event ended with a military parade.

DPRK Minister of Economic Affairs Arrives

FL0607015690 Havana Radio Rebelde Network in Spanish 2337 GMT 5 Jul 90

[From the "Exclusivo" program]

[Text] Chong Song-nam, chairman of the Korean Committee for Solidarity with Cuba and minister of external economic affairs, arrived in Cuba today. Chong Song-nam is visiting Cuba at the invitation of the Cuban Institute of Friendship with Peoples and the Cuban Committee for Korean Reunification, headed by Jesus Montane, member of the PCC [Communist Party of Cuba] Central Committee and aide to the commander in chief.

The Korean delegation will be in the country until 13 July.

Barbados

Economic Growth Slows by 1.4 Percent in 1990

FL0507230090 Bridgetown CANA in English 1645 GMT 5 Jul 90

[Text] Bridgetown, Barbados, July 5, CANA—Growth in the Barbados economy slowed to 1.4 per cent during the first quarter of this year, amid declines by the key tourism and industrial sectors, the Central Bank reported. Economic growth for the corresponding three-month period last year was 2 per cent.

The Central Bank, in its latest economic review, cited an 8 per cent decline in tourist arrivals which was attributed largely to a "substantial fall" in business out of the United States and Canada. The value added of tourism, namely wages, salaries, and profits, registered a 3 per cent decline. First quarter earnings were not given.

Industrial activity contracted by 5.1 per cent, led by declines in the production of clothing, electrical components, and furniture, three important foreign exchange earning sectors.

Inflation, which stood at 5.8 per cent at the end of March, was one percentage point higher than at the end of March 1989.

The rate of unemployment was not given, but the report cited declines in employment in the textiles, apparel, and leather industries, as well as in the production of electronic equipment and food and beverages. Data processing was the only area mentioned where growth in employment occurred.

Sugar production rose 4.1 per cent to 69,000 tonnes.

The Central Bank reported a worsening of the government's fiscal position during the first quarter when a deficit of 34.9 million dollars (one BDS dollar; 50 cents U.S.) was recorded compared with a surplus of 8.6 million at the same time in 1989.

However, for the fiscal year ended March 31, there was a narrowing of the fiscal deficit to 66.1 million dollars at the end of March compared with 102.4 million dollars for the previous fiscal year.

Haiti

CEP President Sabalat Comments on Security

FL0507161790 Port-au-Prince Radio Antilles Internationales in French 1730 GMT 2 Jul 90

[Text] Insecurity was discussed during the news conference held last weekend by the members of the Provisional Electoral Council [CEP]. CEP president Jean-Robert Sabalat said he feels confidence and security are not negligible factors, both before and after elections. Let us listen to an excerpt.

[Begin Sabalat recording, in Creole] We think this is a problem, and we need to discuss even the slightest details with the pertinent authorities. We know very well that without a climate of security, the voters are not going to have any confidence in elections, and without confidence, we of the CEP risk working for nothing. I mean, what good would it do for us to hold elections only to find, on registration day, that only two or three people have shown up to register? We think this is such an important problem that it could even have repercussions on the government chosen, because if a government is chosen by a very small portion of the electorate, it will not have enough of a base to enable it to do the work Haiti needs it to do. [Words indistinct].

You have asked a question that is very important to us. There is a problem of collaboration, which we feel should exist between certain institutions, certain authorities, in Haiti. I am talking about the judiciary and the military forces. We think these two institutions should get together to find solutions to the security problem. We are not saying they can eliminate insecurity from one day to the next. However, what we are waiting for—and what all Haitian people are waiting for—is for certain measures to be taken against the authors of the murders being committed against the population.

We heard the justice minister's statements over television and radio, and we have heard the Armed Forces' statements. We have the impression that each keeps throwing the ball into the other's court. We think that, on the contrary, these two institutions should get together finally to lay their hands on some of the criminals. This would help restore a little confidence among the population. Our work of holding these elections rests on that confidence. [end recording]

Those were statements by CEP president Jean-Robert Sabalat at the news conference held on 22 June [date as heard] at the Villa d'Accueil.

Soleil Reports Reaction to Draft Electoral Law

FL0507183490

[Editorial Report] Port-au-Prince Radio Soleil in Creole at 1100 GMT on 3 July, carries a ten-minute report on reaction to the draft electoral law. Arnold Antonin of the Nationalistic and Progressive Revolutionary Party of Haiti, Panpra, says Panpra does not have too much to criticize in the law. What Panpra considers important is that the electoral law provides a legal framework for holding elections. Antonin approves of the attempt to limit the number of candidates. He adds that Panpra preferred September as an election date, but can live with November. The announcer says that Panpra would not like, however, to see a further postponement of the elections.

Max Bourjolly of the Unified Party of Haitian Communists [PUCH] feels the November date is reasonable. The announcer adds that Bourjolly says PUCH is reflecting upon the electoral law to make a good critique.

Dr. Volvick Remy Joseph of the National Cooperative Action Movement [MKN] approves of the electoral council's [CEP] attempt to reduce the number of candidates, but points out two things in the law that bother him: First, the CEP is too powerful. Joseph feels there should be an authority to which people can appeal CEP decisions, and he feels that authority should be the Court of Cassation.

Second, Joseph reproaches the CEP for Article 291 which, he says, shows that particular people targeted. Joseph feels this is not fair. He wonders if Article 291 is still valid, and if it is, believes it should be enforced not by the CEP but by the electorate.

The announcer concludes by saying that Joseph thinks there should be a referendum on Article 291. He also thinks that if not removed, Article 291 could lead to great disorder in Haiti.

Parties Issue Joint Communique

FL0507172390 Port-au-Prince L'UNION in French 3 Jul 90 No 371 pp 1, 6

[Joint communique issued by the National Union of Democratic Forces and the Haitian Social Christian Party on the draft electoral law]

[Text] After seeing the contents of the text published in the government daily paper L'UNION, No. 369 of 30 June, under the title "The Draft Law (??)" [title in italics and within quotations, question marks in parentheses as published], we feel it is our duty as citizens, patriots, tested militants of the battle for democracy, and unwavering partisans of nonviolence, to call the attention of all those who would not like to see our country end up with a fascist regime or a totalitarian system—moderate parties and political groups of the center, men of law, professionals, intellectuals, earnest human rights militants, unionists, and journalists not serving any extremist group—to the danger that such a text represents, a text which is nothing less than a provocation.

Indeed:

a) The text prepared by this fourth version of an Electoral Council [CEP] is evidence of the unequivocal refusal of this CEP and everyone for whom it is working

to see the nation reach legislative and presidential elections and give itself a legitimate government, a government that is the expression of the freely expressed will of the national sovereignty. Aware that they cannot come to power through the ballot, these sectors are working hard, through a CEP at their service, at rendering impossible the holding of elections, in the imaginary hope of realizing a coup d'etat that will place the Haitian nation before a fait accompli.

b) We are planning to submit to the Haitian nation, to national and international public opinion, a critical analysis of this masterpiece of bad faith and indecency. Meanwhile, and considering the urgency of the matter, we urge compatriots to inform themselves of the contents of this text without prejudice or preconceived ideas. One need not be a specialist to discover the great malice of the writers of such a text, which gives one the impression that all Haitians are considered feeble-minded.

c) We call the attention of Haitian patriots, of freedom loving people, to the patent [constant] danger of civil war that ideological and politician-type maneuvers under cover of a transition that has already lasted too long are causing to hover over the nation's head. Those who are thus applying themselves to blocking the electoral process will bear before history responsibility for the catastrophe that might result from this.

d) It is time for everyone—every democrat, the silent majority—to put an end to their silence and say no to this setting up of a coup d'etat through the ballot to which a CEP that everyone should already object to, out of legitimate suspicions, is applying itself. February 7, 1986 was not realized to see the country go from a dictatorship to the fascism of the extreme right or to a totalitarian tyranny of the extreme left.

Port-au-Prince, 2 June 1990 [date as published]

Gregoire Eugene, attorney, president of the Haitian Social Christian Party; Michel Lamartiniere Honorat, secretary general of the National Union of Democratic Forces.

Army Announces Transfers, Appointments

FL0507180690 Port-au-Prince LE MATIN in French 4 Jul 90 No 29,979 p 2

[From the "Haiti and Today's World" column]

[Text] The private television station Tele-Haiti on Monday [2 July] announced that Major Claudel [Andre] Josaphat has been transferred from the general headquarters of the Military Department of the Metropolitan Zone to the position of commanding officer of the Investigations and Antigang Service, where he replaces Major Leopold Clerjeune, who has become head of the Narcotics Service.

Josaphat, who served in the police a few years ago, was the commanding officer of the tactical unit of the Military Department of the West.

For his part, Clerjeune replaces, at the Narcotics Service, Major Eddy Louis [name and rank as published], who has been appointed commanding officer of the Military Department of the West.

The same source also reports that a new chief has been appointed at the "Cafeteria" [police post], where Captain J. Francois Michel replaces Captain Jacques Louis.

Montserrat

Workers Stage Sick-Out To Demand Higher Wages

FL0607013690 Bridgetown CANA in English 2140 GMT 5 Jul 90

[Report by Angela Burns]

[Text] Plymouth, Montserrat, July 5, CANA—The Montserrat Government on Thursday [5 July] said it would not bow to demands by public workers, who staged a sick-out in support of their unions' call for a 35 percent wage hike. "If they want to sick-out or strike, that's a matter for them because they are destroying the country for themselves," Chief Minister John Osborne told the CARIBBEAN NEWS AGENCY (CANA).

Osborne said meeting the demands of the five trade unions would force his administration to raise taxes and he was against this. He also denied claims by the Civil Service Association (CSA) that public workers had not been given a wage hike for the past three years.

Osborne said that Montserratians were already heavily taxed and following the destruction caused by Hurricane Hugo last year, he would not increase taxes and duties. "One thing I've said, and which I am going to stick to, is that I am not going to increase taxes on the people of Montserrat," he said.

The CSA, the Police Welfare Association, the Trained Nurses and Midwives Association, the Union of Teachers and the Medical Association are at loggerheads with the government over a new wage agreement. The government is offering a 15 percent increase over three years but the unions want a 35 percent hike. Osborne said the 15 percent being offered by the government was sufficient since public workers had received salary increases six times over the past 10 years.

The unions had written Osborne, complaining that negotiations "have been protracted" and gave the government until midday Wednesday [4 July] for a favourable response to the negotiations. "Failure to receive such a response will be taken as a reiteration that your offer of 13th June is final. In such an event, we will be left with no recourse but to take appropriate action," the letter concluded. But Osborne told CANA "the negotiations

were never closed, so it suprises me that they took this action, because we were supposed to be discussing where we are going".

The sick-out by state-paid workers on Thursday seriously affected the education system, with students having to return home, while various government ministeries, including finance and tourism, were without several employees.

Osborne and members of his administration met with the island's governor, David Taylor, to discuss the situation Thursday.

Salinas Sends Bank Privatization Bill to Congress

PA0507143490 Mexico City Red Nacional 13 Imevision Television in Spanish 1300 GMT 29 Jun 90

[Text] Mexican President Carlos Salinas de Gortari has sent the bill regulating the Mexican banking system to the Mexican Congress. The bill establishes the basis for the reprivatization of banks.

The bill also includes measures ensuring that the Mexican people will exercise control over the banks, and that decisions will therefore not be made by a minority.

The National Congress is already discussing an executive branch bill seeking to provide the Mexican financial system with a legal structure allowing it to promote economy of scale, obtain foreign investment, form financial groups, eradicate bad practices, and be in a better position to offer new banking services.

President Salinas sent three bills to Congress. The first one proposes a new banking law, the second regulates financial institutions, and the third amends the stock market law.

The first bill proposes measures granting the Mexican people control over the banks and their participation in the banking decisionmaking process. If the bill is approved, multiservice banks and national credit associations would become corporations. The current Patrimonial Contribution Certificates, CAPS, will become shares. There will be three types of shares: A, B, and C. The first two will be reserved for Mexicans only. The third one, which will represent up to 30 percent of the banks' capital, will be available to foreigners. Each individual shareholder will be allowed to hold up to five percent of the shares. Only by previous authorization will individual shareholders be allowed to hold 10 percent of the shares.

The bill bans the so-called privileged loans [creditos de complacencia] and other irregular activities. There will be penalties of up to 50,000 times the minimum wage and of 10 years of prison for those who violate the law and jeopardize the accountholders' deposits. The corporations will respect the workers' rights, which will be regulated by Article A [not further identified]. The bill establishes that foreign banks will be allowed to operate their offices in Mexico, but only with money deposited by people who live abroad.

Development banks will adjust their organic regulations within a period of 180 days but will maintain their status as national credit institutes.

The current banking service structure will continue in effect. Accounts in dollars will only be opened after the Bank of Mexico grants final authorization.

The second bill regulates financial institutions. This bill sets guidelines for the formation of financial groups. The operation of those groups will be authorized by the Mexican Government. Banks will be allowed to associate with stock brokers, insurance companies, exchange houses, surety businesses, customs warehouse companies, shipping and invoicing firms, and companies that represent investment funds. Two businesses of the same kind, however, will not be allowed to participate in one single financial group.

The bill states that the institution that heads each financial group will act as the controlling institution and will be accountable for all the obligations and losses experienced by the members of the group.

Finally, the amendments to the stock market regulations open the way for foreign investment groups to hold up to 30 percent of the capital of the exchange houses. Foreign individual shares in exchange houses, however, should not exceed 10 percent.

* Salinas Foresees News Media 'Modernization'

90CA0067A Mexico City EL DIA in Spanish 8 Jun 90 p 6

[Address by President Carlos Salinas de Gortari at Freedom of the Press Day luncheon in Mexico City on 7 June]

[Text] Editors and publishers of our country's news media, journalists, members of the Legislative and Judicial Branches, ladies and gentlemen:

It is an honor for me to attend the ceremony commemorating Freedom of the Press Day for the second time.

As this century draws to a close, newspapers and periodicals in Mexico are a faithful reflection of a pluralistic society engaged in a daily effort to build a nation in which individual and collective freedoms are further strengthened and in which economic growth is stable, balanced, and fairer. [This is] a nation which by the day participates more and more in the great changes occurring in the world, thereby strengthening its sovereignty and widening the range of options available to each of its members.

The communications media contributes to the cohesiveness of today's societies by performing the important task of acting as a channel for dialogue between the different social groups and between those groups and the government. It thus enables citizens to exercise their right to information so they may participate effectively in civic and political processes. It also does so by transmitting the messages, symbols, values, and beliefs which enable individuals to take part in the complex human relations of contemporary society.

At the beginning of my term of office, I pledged to propose as part of a national effort, the modernization of relations between the government and the news media, and the achievement of better relations between the media and citizens. We have taken positive steps in that direction, always recognizing that changes must take place while preserving and expanding freedoms.

Scrupulous Respect for Freedom of Expression

I reiterate my government's inalterable commitment to scrupulously respect freedom of expression, an indispensable requirement in operating a democratic system.

We respect criticism, because it enables us to be much more alert to the demands of the people and more sensitive to the impact of government decisions.

Exactly one year ago, at this same forum, I proposed initiating a national dialogue on various issues relating to the modernization of the press which would reach conclusions based on concerted action, consensus, imagination, and above all, that which best suits the nation.

I respectfully proposed that publishers and newsmen make a thorough analysis of the government's situation with respect to the production, importation, and marketing of newsprint. Likewise, in a spirit of equity and justice for all those involved, I suggested a review of the role played by PIPSA [Paper Importer and Producer, Inc.] and observed that you would be the ones to define its possible dissolution.

After a fruitful debate, you, the publishers, recognized the role played by PIPSA during its 55-year existence with respect to social communication, education and culture, and you submitted your petition that PIPSA remain a public entity. It will therefore continue as such.

In the debate, some publishers contemplated the possibility of diversifying options for the acquisition of newsprint. In order to strengthen its independence and further the informative, educational task which the press performs, I announced on 18 April the decision to open up the national market to the free importation of newsprint, thereby eliminating the permit requirement and setting a tariff.

The free importation of paper endorses the constitutional guarantee of freedom of expression. Consequently, newsmen and publishers may, based on their geographic location, interests, economic needs, and dimension, now procure the paper they need every day on whatever market they deem most suitable.

Complete, Absolute Safety

One important area in which this freedom is exercised involves the guarantee given to professionals in the field of journalism that they do so with complete and absolute personal and intellectual safety.

The government has an obligation to guarantee communications professionals the safety they need to do their work. I therefore confirm today that freedom of expression begins with the physical and personal safety of those exercising that right.

I reiterate my unlimited pledge to grant maximum security to those who express their thoughts or the thoughts of others and to fight to punish those guilty of attacks on newsmen to the full extent of the law.

Freedom of expression and freedom of the press are closely linked with the freedom of all citizens. When the integrity of newsmen is attacked, a cloud of self-censorship and despair hangs over all of society.

Crimes against newsmen are crimes against society and the harmonious development of our great nation. The government and society—in short, all of us—have the obligation to protect physical safety, particularly in the case of newsmen.

Modernization is based on respect for the law, consequently, yesterday I promoted the creation of the National Human Rights Commission with the firm purpose of protecting the basic freedom of Mexicans and fully defending human rights in Mexico.

In that spirit, we have moved ahead with our thorough investigation of the case involving newsmen who were murdered. In the specific case of the killing of columnist Manuel Buendia, the alleged perpetrators are on trial in prison.

Last year, I also stated that respect for the profession of journalism does not simply mean physical safety, but rather, that those who assume this social responsibility have the right to a dignified life for themselves and their families. I stated that a more dignified personal and professional life for newsmen would strengthen freedom of expression.

Various proposals and concerns have recently been formulated concerning the need to improve the pay of newsmen based on their professional level. That aspiration was reiterated again today.

Minimum Professional Wage for Newsmen

That is why I have issued precise instructions to the proper organizations to make a thorough study of the possibility of setting a minimum professional wage for newsmen. Their analysis must include the diverse working conditions in the different enterprises, the various formulas on which remuneration is based, the wide range of occupations offered by the profession, and the types of media where it is exercised, all indispensable elements in enabling labor officials to join with the workers themselves and communications enterprises in analyzing this proposal.

A time period must be set for determining the minimum professional wage to be paid to journalists. Studies should be concluded within no more than 90 days, and subsequently implemented.

Last year, I also mentioned proposals from several publishers to consider ways that would enable readers to have precise circulation figures as well as knowledge of the audience reached by the media.

I know of an effort being made by a number of social organizations to set up a mechanism for verifying readership and circulation which other countries in the world, including in Latin America, already have.

I know that several publishing houses have already conducted their own studies aimed at learning the precise volume of circulation of their publications. This is an appropriate step in the process of modernizing the media.

Any progress we make in these fields of professional activity will benefit the media, the community, and particularly the country.

My friends in the media:

Mexican society aspires to have an even better communications media in order to be better informed. The new phase of Mexican journalism, ushering in the dawn of the 21st century and the new millenium, faces enormous challenges. Society wants a responsible, trustworthy communications media. It needs the media to follow standards of conduct which will ensure that information is professional, balanced, and objective. [Society needs it to] reflect tolerance, a respect for privacy, and individual freedom, as well as a spirit of justice enabling the reader to respond to information or opinions with which he may not necessarily agree.

Essential Media Modernization

The decade of the 1990's will be a time of intense competition for the Mexican media, and, consequently, its overall modernization cannot be postponed. As a vehicle of information, the media must face up to the demands of a society which increasingly adapts to the criteria established for modernization.

The Mexican press is facing the great challenge of increasing its readership, of stimulating interest in reading daily newspapers and periodicals, particularly among the young. It will also have to adapt and take full advantage of progress in technology: facs machines, satellite communications, photocopying, the electronic use of data banks as sources of information, and so on. These are tools which may help newspapers, but which will never replace the reporter's spirit, intellectual training, good writing and reporting, bold, imaginative photography, lucid columns, thought-provoking articles, and penetrating caricatures. We do need linotypists of great talent and aggressiveness and, fortunately for all of us, there are many good ones in the trade.

I wish to express here special recognition for the reporters, columnists, photographers, and cameramen from the press, including radio and television, who accompany me on my trips throughout the country. During my 52 official tours last year, their work was intense, responsible, and professional. Thank you once again.

Modernization of the press is necessary if it is to continue to contribute actively to the process of social transformation. This is a necessary modernization which cannot, however, be the task of the government.

Based on the broad definition of exercising freedom of expression, it is up to the media, given society's demands, to outline the direction and content, to pave the road and determine the speed in moving firmly ahead.

For its part, the government will continue to inform more and in better ways, thoroughly explaining its decisions while keeping the channels of dialogue open, above all, and fully guaranteeing freedom of expression.

Dialogue and imagination will enable us to face the challenges of our time. The country's great spiritual resources, the strength of our history, and the values we have inherited generation after generation will enable us to overcome resistance and to guide action in terms of what Mexico now demands and requires. Only in this fashion, can we move toward the fulfillment of our ideals and aspirations: Let us join together to build a Mexico that will be more sovereign and just, freer and more democratic, through full use of freedom of expression.

El Salvador

Opposition Parties, FMLN To Meet in Mexico

PA0407230790 Madrid EFE in Spanish 2134 GMT 4 Jul 90

[Text] San Salvador, 4 Jul (EFE)—Leaders from nine Salvadoran opposition political parties will meet with Salvadoran guerrilla leaders next week in Mexico, where they will be apprised of the results of the last round of peace negotiations between the rebels and the Alfredo Cristiani government.

Ruben Zamora, secretary general of the Popular Social Christian Movement (MPSC), announced today that 13 July is the probable date for the meeting with the guerrilla leaders.

During the meeting, opposition politicians and leaders from the Farabundo Marti National Liberation Front (FMLN) will exchange points of view concerning the results of the last peace dialogue, which was held on 19-25 June in Mexico.

They will also discuss the demilitarization issue and the prospects for progress in the peace talks, which are sponsored by the United Nations. The political leaders will present a consensus proposal to the FMLN for consideration at the next negotiations meeting, Zamora said.

During the last round of peace negotiations, government and guerrilla representatives spoke for the first time in 10 years, about the Armed Forces and human rights.

Further on Planned Meeting

PA0407234990 Mexico City NOTIMEX in Spanish 2246 GMT 4 Jul 90

[Text] Mexico City, 4 Jul (NOTIMEX)—El Salvador's social forces and guerrillas today initiated another round of talks as part of the process to end the conflict in that country.

Nine organizations from the Permanent Committee for the National Debate (CPDN) and four delegates from the Farabundo Marti National Liberation Front (FMLN) political-diplomatic commission, today initiated the meeting shortly before noon at a hotel in downtown Mexico City.

The FMLN and the government of Salvadoran President Alfredo Cristiani concluded a meeting in Oaxtepec, Mexico, eight days ago, during which they virtually began direct negotiations and agreed to continue them because the demands and proposals of both sides were still opposed.

The CPDN delegation is headed by Marco Antonio Lima for the peasant cooperatives, and Simon Paraga and Humberto Centeno for the National Union of Salvadoran Workers, among others.

The guerrilla delegation is led by Ana Guadalupe Martinez, Mario Lopez, Lorena Pena, and Miguel Saenz, all of whom are members of the FMLN's political-diplomatic commission.

The meeting, which will end tomorrow afternoon, will allow the FMLN and the CPDN to exchange views concerning the current situation in El Salvador and on general information concerning the negotiating process with the Cristiani government.

Among the issues that will also be discussed are an analysis of the social forces within the framework of the Caracas Agenda and the Geneva Agreement, which are supporting the talks between the government and FMLN and El Salvador's social forces and political parties.

The CPDN's proposals will be presented by the FMLN at the formal negotiations with the government.

Meeting of Forces Concludes

PA0507220290 San Salvador Radio Cadena Horizontes in Spanish 1800 GMT 5 Jul 90

[Text] The Salvadoran social forces and the Farabundo Marti National Liberation Front [FMLN] concluded a meeting last night in Mexico City, after 12 hours of talks.

According to the participants, the meeting was intended to inform members of social forces about the Oaxtepec peace talks that were held in June between the government and the FMLN. In addition, the Permanent Committee for the National Debate [CPDN] gave its opinion on the demilitarization and democratization of the country, as these are the most important issues in the peace talks.

The participants discussed these issues until 2330 last night, and the CPDN delegation is on its way back to San Salvador.

CPDN representative Humberto Centeno has said that the discussion about the Armed Forces, which he described as the real power in the country, was the most important achievement of the negotiations. In addition, [words indistinct] disagreed with the government's proposal to pardon and forget the crimes perpetrated by military men involved in human rights violations. He said that the military must give some indication that such violations are truly a thing of the past. Centeno said he was also concerned about various parts of the country because discharged Army members are being hired to form paramilitary bands to act against the peace process. He said that trade union members have learned that these groups are being trained in Ahuachapan, Cuscatlan, and Panchimalco under Roberto D'Auibuisson's coordination.

Miguel Saenz of the FMLN said that the participation of numerous social forces members in last night's meeting shows the increasing interest of the social sectors in the peace process. A dozen CPDN representatives arrived in Mexico City to meet with four members of the FMLN

politico-diplomatic commission. Another delegation will meet today with President Alfredo Cristiani and government delegates.

FMLN Endorses Cease-Fire, Condemns U.S. Aid

PA0507024090 Panama City ACAN in Spanish 2332 GMT 4 Jul 90

[Text] San Salvador, 4 Jul (ACAN-EFE)—The Salvadoran guerrilla organizations reasserted today, on the 204th [as received] anniversary of U.S. independence, their decision to reach a cease-fire with the government if Washington completely suspends its military aid to the country.

A communique released in this capital by the rebels states: "The U.S. Government and Congress have the enormous responsibility of facilitating or precluding the progress of the peace negotiations in El Salvador. The country's demilitarization and putting an end to military impunity are essential conditions to achieving this."

The U.S. Government has sent more than $1 billion in military aid to El Salvador over the past 10 years of war, according to U.S. sources.

"The Bush policy toward El Salvador is an affront to how the United States values independence in that it maintains its military and economic support to the death squad dictatorship of (Alfredo) Cristiani and the Armed Forces High Command," the guerrilla statement adds.

The term "death squad" is used by the guerrilla groups in reference to the so-called "death squads," radical groups linked to the extreme right.

The guerrilla groups issue an appeal to the U.S. people, urging them to step up their efforts to stop the U.S. Government's military and economic aid to El Salvador.

The communique, which harshly criticizes the U.S. policy toward El Salvador, asserts that the U.S. Government is morally responsible for "the massacre of more than 75,000 Salvadorans, including Archbishop Oscar Romero and six Jesuit priests."

Armed Men Occupy, Search MPSC Headquarters

PA0407151690 Hamburg DPA in Spanish 1444 GMT 4 Jul 90

[Text] San Salvador, 4 Jul (DPA)—Heavily armed men at midnight stormed into the headquarters of the Social Christian People's Movement (MPSC), threatened its two security guards, and searched all the desk drawers before leaving at dawn today, MPSC leader Ruben Zamora told the press today.

Zamora blamed a group of the Armed Forces, which opposes the dialogue-negotiation process between the guerrillas and the government to bring about peace in El Salvador, for the action.

CD Decries Armed Occupation

PA0607002290 San Salvador Radio Cadena Horizontes in Spanish 1200 GMT 5 Jul 90

[Italicized passages are recorded]

[Text] Political leaders of the Democratic Convergence [CD] have threatened to withdraw from the Interpartisan Commission following the breaking and entering of the Social Christian People's Movement [MPSC] headquarters. They have described it as a provocation aimed at disrupting the talks.

The CD described the five-hour search of its offices by heavily armed individuals on 2 July as a provocation. Ruben Zamora, Secretary General of the MPSC and CD leader, blamed the government and Armed Forces for the action, which took place in a highly militarized area in the vicinity of the U.S. embassy and the 1st Artillery Brigade's headquarters. Zamora said that this incident proves that impunity prevails in the country and that there is a need for the peace talks to continue, despite the provocations of the enemies of peace who, through similar actions, hindered the dialogue process last year.

[Zamora] *The CD's communique describes this incident as a provocation. We believe that certain sectors profit from the war. These sectors can only remain powerful as long as there is a war and because there is a war. These sectors do not want any kind of democratic change in the country. Every time there is talk about dialogue and negotiation, they turn to provocations. They provoke us to see if the talks will be broken off. This happened the last time; the dialogue began and then these incidents began. There was an attack on the president of the Legislative Assembly, there was an attack on the MNR [National Revolutionary Movement] headquarters, and now there is the attack on (Dr. Martiz) [not further identified]. This shows that once again they want to use provocation to hinder the negotiations.*

We believe that it is our duty—as a popular movement that wants peace—to not allow ourselves to be provoked. We must also demand that impunity be brought to an end in El Salvador. We do not permit the disruption of the negotiations; no one in his right mind would say this.

Rene Flores, a member of the directorate of the Popular Renewal Movement [MPR], warned that if this atmosphere of violence and instability continues, the CD will withdraw from the political campaign scene and from the Interpartisan Commission.

[Flores] *We do not want to consider this violation of the comrade's MPSC headquarters as the early signs of an attempt at intimidation by some sectors so that the CD will desist from participating in the next electoral process. We do not want to see this because these are the early signs. However, these incidents are somewhat meaningful because we do not have suicidal tendencies. If this atmosphere of violence and intimidation increases, the parties in the CD will increasingly improve and increasingly consider participating in the upcoming (?1990) elections.*

Within this context, Wilfredo Varillas of the Social Democratic Party said that these types of incidents contradict the government's political statements to the effect that democracy prevails in the country.

[Varillas] *This situation is taking place in an atmosphere of instability. On the one hand, it tends to undermine the credibility that the government has attempted to achieve by creating democratic opportunities, and on the other hand, increasing acts of repression against government employees or against political institutions [words indistinct].*

All of this has generated quite a bit of controversy and has led us to question the government, which is responsible for guaranteeing democratic freedom. Actions such as these are endangering the activities of the political parties that are currently supporting the CD.

The breaking and entering of the MPSC headquarters must be added to the attack against the MNR, during which a civilian was wounded, and the attack on Legislative Assembly President Ricardo Alvarenga Valdivieso. In the CD's opinion, these actions destabilize the atmosphere at the negotiations between the government and the Farabundo Marti National Liberation Front (FMLN).

Army Denies Break-In

PA0607044690 San Salvador Canal Doce Television in Spanish 0425 GMT 6 Jul 90

[Text] The Salvadoran Armed Forces tonight denied that military men took part in raiding the headquarters of the opposition Social Christian People's Movement [MPSC] Tuesday night.

In the communique, the Armed Forces Press Committee [Coprefa] said that the investigation conducted by the high command has determined that no members of the security agencies or military units are involved in the incident.

The Army has asserted that the men who perpetrated the action entered through the front door and that there are no signs of violence. According to the military report, there are specific instructions so only through Army High Command is it possible to search churches, clinics, schools, as well as union and political parties headquarters when the situation so merits.

FMLN Communique on U.S. Independence Day

PA0607045290 San Salvador EL MUNDO in Spanish 4 Jul 90 p 3

[Text] The Farabundo Marti National Liberation Front, FMLN, today issued a communique saluting the U.S. people on their Independence Day and took advantage of the day to ask Congress and the Bush administration to "favor El Salvador's demilitarization as a basic condition to attain peace and democracy."

The communique says: "On the U.S. Independence Day, the FMLN warmly salutes the sisterly U.S. people, especially the churches, trade unions, solidarity committees, and other progressive sectors that have greatly contributed to attaining democracy, social justice, and peace in El Salvador."

The communique adds: "On the 4th of July, the U.S. people conmemorate the struggle began by their forefathers more than 200 years ago to gain national independence from the British empire. The legacy to humanity bequested by George Washington, Thomas Jefferson, Thomas Paine, and all the U.S. independence heroes, consists of defending the right of the people to self determination, respect for human rights, and full democracy."

"However, in the case of El Salvador, historically the U.S. governments have backed a series of military dictatorships, which under the guise of a democratic front, have systematically violated human rights and hindered our country's true democratization.

Nevertheless, as a result of the committed struggle by our country's progressive sectors, a decisive negotiating process with UN intermediation has begun between the Cristiani government and the FMLN, aimed at democratizing and ending the war. However, this entails a mandatory precondition to demilitarize our society and end military impunity."

"The U.S. Government and Congress have the enormous responsibility to facilitate or block the negotiation because Cristiani and the Armed Forces are mainly subordinated to Washington's policies toward El Salvador. Therefore, if the U.S. Government is bent on maintaining its military support to the [Salvadoran] Armed Forces, it will be granting a blank check so that the high command can continue to oppose the demilitarization of society and block the advance of negotiations."

Cristiani Refutes Guatemalan Accusations

PA0607004790 Panama City ACAN in Spanish 2302 GMT 5 Jul 90

[Text] San Salvador, 5 Jul (ACAN-EFE)—Salvadoran President Alfredo Cristiani has questioned the report by the Guatemalan Government implicating retired Major Roberto D'Aubuisson and two Salvadoran rightist leaders in the murder in Guatemala of Social Democrat leader Hector Oqueli.

Cristiani said today: "There are not enough grounds to open an investigation because everything is based on speculation and not on hard evidence. We have sent the report to the Attorney General's Office so that it can take legal action if necessary."

Cristiani did not reveal the contents of the Guatemalan Government's document, which was delivered to him on 17 June. He made this statement shortly before the

contents of the document regarding the murder of Oqueli on 12 January were made known in this capital.

Guatemalan President Cerezo delivered the report to Cristiani during the Central American summit meeting held in Guatemala from 15 to 17 June.

ACAN-EFE had access to the report, which claims that "investigations by intelligence units lead us to deduce that Roberto D'Aubuisson and the brothers Francisco Ricardo Sola and Orlando Sola are responsible for the deaths of Hector Oqueli and Gilda Flores."

D'Aubuisson—Salvadoran congressional deputy; retired major from the Armed Forces; and president for life of the National Republican Alliance (Arena) Party—has been accused of violent actions by extreme leftist sectors.

Oqueli and Gilda Flores, a member of the Guatemalan Social Democratic Party, were kidnapped by heavily armed unidentified men in Guatemala City. They were both found dead a few hours later on a highway leading to El Salvador.

According to the document, the caliber of the weapon used to murder Oqueli is "relatively common" in El Salvador.

The document does not give details of the reasons for implicating Major D'Aubuisson in the murder. However, it says that "it can almost certainly be attributed to Salvadoran radical political sectors."

Defense Ministry Agrees To Arrest Hernandez

PA0607041990 San Salvador Canal Doce Television 0312 GMT 6 Jul 90

[Text] The Salvadoran Defense Ministry today confirmed that it has heeded a warrant of arrest issued against Lieutenant Colonel Camilo Hernandez, accused of concealing evidence in the Jesuits' case.

In a communique, the Armed Forces said that, after receiving from Fourth Criminal Magistrate Ricardo Zamora a warrant of arrest against the officer, the Defense Ministry has issued the appropriate instructions to detain Hernandez.

Magistrate Zamora ordered Hernandez' arrest after hearing the testimony of two military men last week. It has been reported that it was Hernandez who ordered the destruction of the personnel check-in and check-out records corresponding to the date when the Jesuits were assassinated.

Army Officers Testify in Jesuit Case

PA0507020590 Panama City ACAN in Spanish 0057 GMT 5 Jul 90

[Text] San Salvador, 4 Jul (ACAN-EFE)—Two Salvadoran Army officers of the special commando unit that includes the main suspect in killing of six Jesuits among its members today testified as witnesses at the 4th Penal Court, according to judicial sources.

Captain Herbert Osvaldo Vides and Major Julio Armando Garcia today testified before Judge Ricardo Zamora, who summoned them to the court, a Supreme Court of Justice spokesman said today.

The 4th Penal Court has yet to reveal the contents of the two officers' depositions concerning the crime perpetrated in the early morning hours of 16 November 1989.

The two officers were part of a special commando unit that the Army organized and appointed to operate in the area where the Defense Ministry and the Armed Forces General Staff is located, zones which were harassed during the November 1989 guerrilla offensive.

The special commando unit included Colonel Guillermo Benavides, director of the military academy at the time the crime against the Jesuits and two of their employees was perpetrated and the main suspect in the crime.

The two officers were mentioned two weeks ago by Lieutenant Colonel Camilo Hernandez in his deposition.

Hernandez has been accused of ordering the burning of the military academy's log books, which are considered "key evidence" in the trial for this murder.

Judge Zamora has ordered the arrest of Camilo Hernandez, who is currently detached to the Ramon Belloso Counter-Insurgency Battalion.

Church Forsees No Punishment for Jesuit Murders

PA0407022290 Paris AFP in Spanish 2207 GMT 1 Jul 90

[Text] San Salvador, 1 Jul (AFP)—Maria Julia Hernandez, head of the Archbishopric's Legal Aid Office, has reported that the investigation into the assassination of the six Jesuit priests in El Salvador is "virtually closed, but the soldiers who ordered this loathsome crime remain untouched."

The official said: "Members of the military are blocking the inquiry because they are the ones who hold true power in El Salvador." She believes full clarification of the case to be very unlikely.

"The church is fully convinced that the officers who planned and ordered the assassination of the Jesuit priests have not been touched," she asserted.

Hernandez, a lawyer, told AFP that essential evidence was destroyed with the incineration of the San Salvador Military Academy's check-in/check-out records on Colonel Camilo Hernandez' instructions.

The assassination of the clergymen allegedly was plotted at this academy, from where the soldiers who killed the Jesuits early on 16 November 1989 came.

The Fourth Criminal Court last week ordered the provisional detention of Col. Hernandez under charges of "concealment."

Eight Salvadoran officers, including Col. Guillermo Benavides, the Academy's director at the time of the massacre, are being tried in connection with this case. Three lieutenants, two sergeants, one corporal, and one private complete the group.

According to lawyer Hernandez, "the latest steps taken indicate that the trial will not proceed as expected. The evidence has been destroyed, and this means that the case has been closed."

"Some officers must be investigated and taken to stand trial," the lawyer said. She believes that the crime's clarification demands "political action" by the government.

Hernandez added that "the Armed Forces will be in jeopardy" if the guilty parties go unpunished and that President Alfredo Cristiani "will come out badly because, although he holds power, he did nothing."

"It will be demonstrated that it is the military that holds the power in this country," Hernandez finally pointed out.

Coprefa Reports Clashes With FMLN

PA0607003790 Paris AFP in Spanish 2323 GMT 5 Jul 90

[Text] San Salvador, 5 Jul (AFP)—The Armed Forces Press Committee (Coprefa) has announced that four guerrillas were killed and at least 15 were wounded during strong clashes reported over the past few hours in the northern part of El Salvador.

The official bulletin pointed out that the armed clashes began on the afternoon of 4 July near Guazapa, approximately 25 km north of San Salvador. Units from the elite Atlacatl Battalion engaged in the clashes and four of their troops were wounded.

Coprefa also pointed out that a National Guardsman was wounded during an ambush by guerrillas who had set mines.

At the beginning of the week the Farabundo Marti National Liberation Front (FMLN) said that it had inflicted a total of 11 casualties on the Army during an ambush on four military vehicles on the coastal highway, approximately 40 km east of San Salvador.

Police sources announced that six people were wounded by the explosion of a device hurled by unidentified individuals at a house on the eastern outskirts of the capital city.

Military Helicopter Bombs Densely Populated Area

PA0407222990 Mexico City NOTIMEX in Spanish 2126 GMT 4 Jul 90

[Text] San Salvador, 4 Jul (NOTIMEX)—Civilian sources reported today that a Salvadoran Air Force helicopter this morning bombed alleged rebel positions in a densely populated area in northern Chalatenango Department.

People from Chalatenango's northeastern sector telephoned a local station and reported that the harassment occurred at 0630 local time, but the Army has yet to confirm the action.

Nevertheless, military sources asserted that search operations have been recently stepped up with the participation of airborne troops in the country's conflict-ridden northern and eastern zones.

In addition, the Armed Forces Press Committee reported that urban guerrillas continued their sabotage actions on the electric system last evening, causing a long blackout in the capital's northern sector.

An explosive device placed beside a pole holding a transformer in Layco neighborhood, located northeast of San Salvador, destroyed several windows in a church and three private houses, but caused no casualties.

The sources added that another pole holding two transformers was blown up by Farabundo Marti National Liberation Front (FMLN) urban commandos northwest of the capital, but no casualties or damage were reported.

Likewise, a soldier of the 2d Infantry Brigade, with headquarters in Santa Ana Department, died when the rebels ambushed the Tecana Battalion near the town of Flor Amarilla Arriba, located in the country's western sector.

Meanwhile, the FMLN has again issued its appeal to the government and the military leadership, urging them to stop jamming its two clandestine stations and undermining their right to information and freedom of expression.

A communique issued here today by the guerrilla states that the jamming of Radio Venceremos and Radio Farabundo Marti are a sign of the fear and weakness of a regime based on impunity, injustice, and repression.

The communique stated that the measure adopted against the radio station "undermines the people's right to be informed," adding that "freedom of expression is one of the many rights denied to the people that are indispensable for a true democratic process."

A similar communique was issued last week, urging President Alfredo Cristiani's government and the Army to cease the jamming "as a proof of their political will and respect for the right to information."

Merino Suggests Pardon of Human Rights Violators

PA0407173790 San Salvador Canal Doce Television in Spanish 0300 GMT 3 Jul 90

[Italicized passages are recorded]

[Text] Salvadoran Vice President Francisco Merino today advocated pardon for the actions of military men and guerrillas involved in serious human rights violations. Interviewed on the "Buenos Dias" program, Merino also pointed out that, to ensure respect for human rights, legal procedures to punish violators should be created.

Commenting on various current political topics, Merino said he thinks it is best to pardon and forget about the human rights violations that have so far gone unpunished. Merino described the pardon, which he advocates as essential for a short-term solution.

[Reporter] *Is this truly a solution? Will it have further implications, for instance, when we discuss the purging of the Armed Forces?*

[Merino] *It would be best for the people if we could attain peace and ensure it in the country overnight. We should all forget everything that has happened, but we should all try to prevent this from taking place again. This would be the best thing.*

The official, however, approached the topic with disinterest. He said it is difficult to carry out his proposal because of the country's internal problems, particularly the war.

[Merino] *It is difficult to achieve this in a society where there is so much unrest provoked by the conflict's development, which has gradually permitted the action of destabilizing forces.*

As for the electoral process, Merino showed concern for the little progress attained in the formation of qualified cadres in political parties. He said that this will diminish the voters' participation in the 1991 elections because there will be no decisions made at the ballot boxes.

[Merino] *If there is no consistent political message that arouses the people's interest and encourages them, there will be no candidates to vote for. [words indistinct] Each one of the candidates would have been disqualified. Those who participated would have demanded support.*

Human rights violations were discussed during the interview. Merino said that a system must be devised, not only to prevent these violations, but also to severly punish violators. Punishment should be enforced in this country, he said. Finally, Merino thinks that protection should not be included in a declaration of principles but that there should be an instrument to facilitate the punishment of human rights violators.

Arena President on U.S. Military Aid Reduction

PA0307173190 San Salvador EL DIARIO DE HOY in Spanish 29 Jun 90 pp 3,25

[Text] A possible cut in the military and economic aid to El Salvador would only benefit the FMLN [Farabundo Marti National Liberation Front] - FDR [Revolutionary Democratic Front], "which would continue to kill the people and destroy their possessions." This was stated by Dr. Armando Calderon Sol, president of the Nationalist Republican Alliance (Arena).

"The reduction of U.S. military aid to the country would only mean more violence, bloodshed, and deaths caused by the FMLN," Calderon Sol said this while addressing a group of UCA [Central American University] students in a debate. The event was also attended by leftist leaders Ruben Zamora, of the Popular Social Christian Movement (MPSC), and Fidel Chavez Mena, of the Christian Democratic Party.

It has been frequently reported that Marxist groups in the United States, some of which are embedded in the U.S. Congress, are engaged in a large-scale campaign to reduce military aid to El Salvador. The FMLN and some Catholic and Protestant clergymen fully agree with this goal.

Calderon Sol said that a virtual decrease in economic aid would result in the FMLN's military arrogance and political haughtiness at the negotiation table.

"The armed conflict would be extended and the peace process would suffer a setback if the nation's military aid is affected," Dr. Calderon Sol stated.

He added that if the FMLN sees that the Army's economic resources for the defense of the nation are reduced, it would increase its attacks and continue to destroy the country's infrastructure.

Dr. Armando Calderon Sol said that former political officials, who are accused of corruption "and who freely move around San Salvador," must be sent to trial and their immunity should be canceled.

Unions Blame Government for Attack on Legislator

PA0307174790 San Salvador Canal Doce Television in Spanish 0300 GMT 29 Jun 90

[Report by Ervin Ortiz]

[Text] A total of 13 trade unions blamed the enemies of dialogue for last night's attack on the legislative assembly president and warned that the meager results of the Mexico meeting [with the Farabundo Marti Natonal Liberation Front] could generate increased violence.

Various union members regretted that the Oaxtepec meeting had not yielded positive results and expressed concern over the possible change in the conflict because of the government's limited flexibility. When referring to the attack on the legislative assembly president, they said

this could only come from those sectors that do not want to resolve the problem of violence through dialogue.

[Begin unidentified speaker recording] We disagree with any type of violence in El Salvador, and this is why we blame the government for what may occur. The government always responds to an attack against an Arena [Nationalist Republican Alliance] official—or any government official—by continuing to make arrests, kidnap people, and jail members of peoples' organizations. This is what we want to report. [end recording]

Established organizations are also concerned when President Cristiani, high ranking Armed Forces members, and members of the Arena party say they are pleased with the Mexico meetings because this is a signal for them to continue prolonging their priviliges at the expense and sacrifice of the poor.

[Begin unidentified speaker recording] The Armed Forces has not wanted and does not want to give up their privileges. They still bear weapons, even though in theory some say that they are [?reducing the level of conflict]. The Armed Forces say that they are satisfied, but this only means that these talks are being dragged out; in other words, it is as if the war in El Salvador is the best thing and should continue. [end recording]

The lack of agreement was blamed on the inflexibility of the government and the Armed Forces for wanting to (?remain in power). They should instead listen to the people's cry. The established organizations feel that to prevent negotiations from being further delayed, Cristiani must take concrete steps to end military corruption and impunity.

Archbishop Condemns Attack

PA0407025590 San Salvador Radio Cadena YSKL in Spanish 1200 GMT 2 Jul 90

[Text] San Salvador Archbishop Arturo Rivera y Damas has condemned the attack on Legislative Assembly President Ricardo Alvarenga and has urged the government and the guerrillas to reach agreement on human rights.

Rivera y Damas also blamed the right-wing death squads for the killing of three people, whose bodies were found abandoned on 1 July along the highway from San Salvador to the international airport. These actions discourage and dismay, Rivera y Damas said, after officiating over Sunday mass, which was attended by several dozen sick people who were blessed by the archbishop.

Alvarenga was not wounded when his vehicle was strafed by machine-gun fire in San Salvador on 27 June during a power outage in the capital due to guerrilla sabotage on the electric power system. The attack occurred a few hours after President Alfredo Cristiani admitted progress was achieved in the latest peace talks with the guerrillas in Mexico on 19-25 June.

Rivera y Damas urged the guerrillas and the government to reach agreements in the area of human rights and on demilitarization to eradicate the violence, which does not contribute to the peace efforts in the country.

The FMLN frequently carries out executions, but I do not think it is its practice to leave bodies abandoned along roadsides, as the death squads do, the archbishop said at the end of the mass. The prelate also charged that special troops of the Salvadoran Navy, on three consecutive days last week, raided a rest home of the archdiocese in the northern outskirts of San Salvador. He said such actions violate the most basic rights of senior citizens. There is no justification for such actions, which morally affect the Salvadoran community, Rivera y Damas added.

MPSC Demands Specific Peace Proposal

PA0407195490 San Salvador DIARIO LATINO in Spanish 28 Jun 90 p 3

[Text] Leaders of the Popular Social Christian Movement, MPSC, today criticized President Alfredo Cristiani's government for not presenting a specific proposal to be discussed between the FMLN [Farabundo Marti National Liberation Front] and the government's Dialogue Commission to agree on mechanisms to attain peace in the country.

Ruben Zamora said that unless the government goes to the talks with a specific proposal to contribute to the peace efforts, it will be very difficult to reach agreements that will satisfy the people's desire for peace.

According to Zamora, the next dialogue meeting must produce satisfactory results, even though the subject to be discussed will be the purging of the Armed Forces, an institution whose members have been implicated in horrible massacres of civilians and over which the judicial branch has no control.

Zamora, who was accompanied by Juan Jose Martell and Francisco Figueroa, said that as long as the FMLN and the government do not reach agreements that can lead to a cease-fire, the offensive actions by both the rebels and the Army will continue and the civilian population will be hurt.

However, political leaders believe that the FMLN would be making a mistake if it launches another offensive—as has been rumored—because it would affect the dialogue, although no specific agreements have been reached yet.

The MPSC believes that the government should go to the next round of talks with a clear position in order to begin a process of negotiations that will put an end to more than 10 years of armed conflict during which more than 70,000 people have been killed.

Central American Integration Plan Praised

PA0407195390 San Salvador LA PRENSA GRAFICA in Spanish 29 Jun 90 p 7

[Editorial: "A Plan for Integration"]

[Text] The most recent meeting of Central American presidents in Antigua, Guatemala was different from previous presidential meetings. We attribute this to two facts: One is that the warlike situation in Central America is drawing to an end, and the other is that former Nicaraguan President Daniel Ortega, whose presence does not allow anyone to think seriously about any kind of trustworthy unity, was not there this time. The Antigua, Guatemala, summit will go into history as the meeting in which the Central American presidents looked at the future with a new spirit of integration. The most important outcome of this meeting is that objectives took the shape of a plan, and this is important. The economic plan of Central America is an answer not only to the needs of the region—needs that governments have ignored for a long time—but it is also a response to the worldwide tendency to face the future on the basis of groups of integrated nations. The five, and now perhaps six—counting Panama—countries of the isthmus are, in the eyes of the world, a whole. Aid and development programs are aimed at the region as a whole, and the region must be integrated to actively participate in world progress.

The eleven points of the Economic Plan of Central America have provoked diverse reactions. Its integrationist objective is realistic because it envisages working immediately on specific tasks that are not merely of a commercial nature. This plan is aimed, to a great extent, at checking the effects of the crisis but also at catching up with the times. The fact that the presidents' framework is pragmatic and not ideological has been favorably noticed. It has been implicitly agreed that it is necessary to heal the national economies and to improve society. It is obvious that the presidents want to avoid a repeat of the tremendous crisis that burdened Central America throughout this past decade.

The economic plan does not consider, however, the strictly human aspect. There are still fears about letting the people move freely within the region. This freedom of movement would favor real integration. The fears involve, to a great extent, the Salvadorans. This barrier must be overcome through a political decision. The presidents still have much to analyze and to resolve jointly.

Regional Courts Consider Salvadoran Justice

PA0307235590 El Salvador LA PRENSA GRAFICA in Spanish 29 Jun 90, p 3

[Text] The Central American court presidents yesterday agreed that the Salvadoran judicial system is on its way to total independence, which would undoubtedly improve the administration of justice.

The opinions of the judicial court magistrates were issued during the inauguration of the Central American Judicial Branch presidents' summit being held in the Presidente Hotel.

Dr. Rodrigo Reyes Portocarrero, of Nicaragua, said that the Salvadoran judicial system is being strengthened and is respected more each day, because it is trying to administer justice in an independent and legal manner.

Also, Dr. Oswaldo Soto of Honduras stated that the fact that El Salvador has undergone a very complex civil war must be taken into consideration. This results in an increase of criminal cases, and any irregularity in the administration of justice is a consequence of this situation. However, Soto feels confident in a new awakening in the Central American region.

Dr. Miguel Blanco Quiros, the Costa Rican Supreme Court president, said that he has not had much contact with the Salvadoran judicial authorities since the presidency of Dr. Francisco Jose Guerrero, who undoubtedly headed a praiseworthy administration.

Blanco Quiros added, this same action is being continued by Dr. Mauricio Gutierrez Castro, who is committed to raising the level of the Salvadoran Judiciary to where it belongs, because there is true democracy where justice is well administered. Therefore, efforts to obtain this objective are nothing less than the establishment of pure and effective democracy.

In closing, Dr. Edmundo Vasquez Martinez, president of the Guatemalan judiciary, added that the Salvadoran Judicial Branch is still in the process of establishing its constitutional and institutional presence and the activity of the judicial branch is admirable, bearing in mind the conflict that El Salvador is experiencing.

Police Defuse Two Grenades at Nicaraguan Embassy

PA0307193990 San Salvador LA PRENSA GRAFICA in Spanish 2 Jul 90 p 3

[Text] On 30 June, National Police bomb experts deactivated two bombs that had been left inside the Nicaraguan Embassy by unidentified individuals.

The official report issued by the Defense and Public Security Ministry through Copreta [Armed Forces Press Committee] described the bombs as fragmentation grenades, one of which was Dutch-made.

The grenades were defused without any problems by police experts who are specially trained for these kinds of situations.

Bomb experts are active every day and on alert to handle any emergency like the one at the Nicaraguan Embassy.

The National Police and bomb experts are investigating the incident.

So far the reason for leaving these grenades inside the Nicaraguan Embassy in San Salvador is unknown.

Guatemala

Salvador's D'Aubuisson Implicated in Murders

PA0507205390 Panama City ACAN in Spanish 1942 GMT 5 Jul 90

[Text] Guatemala City, 5 Jul (ACAN-EFE)—Salvadoran Major Roberto D'Aubuisson is involved in the murder of Hector Oqueli, a Salvadoran leader of Socialist International [SI], and Gilda Flores, a Guatemalan socialist, who were killed in Guatemala on 11 January, according to a Guatemalan Government report on the double crime.

The report, to which ACAN-EFE had access and which has been turned over to the Salvadoran Government, is signed by the Guatemalan Government Ministry. The report also implicates the brothers Francisco Ricardo and Orlando de Sola, both Salvadorans.

The report pointed out that "intelligence investigations in Guatemala indicate that Mr. D'Aubuisson and the brothers Francisco Ricardo and Orlando de Sola are responsible for the murder of Dr. Oqueli and Gilda Flores.

Oqueli, SI secretary for Latin America, and Flores, of the Democratic Socialist Party (PSD) of Guatemala, were kidnapped in the Guatemalan capital and their bodies found in Jutiapa, on the Salvadoran border.

Case Against Officers Involved in Coup Dropped

PA0507193390 Guatemala City PRENSA LIBRE in Spanish 29 Jun 90 p 24

[Text] The judicial branch has reported that the case against the 11 Army officers who were tried for the 9 May coup attempt was dismissed because the Attorney General's Office did not file a writ of amparo before the Constitutional Court.

The 11 officers were set free by the Fourth Appeals Court when the judges modified the sentence dictated by the court martial sentencing them to 10 years in jail.

The Attorney General's Office filed an annullment brief before the Supreme Court's Penal Chamber so that the officers would be sentenced to jail, but the brief was declared inadmissible.

It was officially announced that the deadline for the Attorney General's Office to file its writ of amparo expired earlier this week. The Attorney General's Office was given 30 working days, starting with the presentation of the last notice, to file the writ of amparo as a final appeal; however, it failed to do so. Thus the ruling of the court stands and the case has been dismissed.

The tried officers were Colonels Raul Dehesa Oliva, Oscar Augusto Mendez Tobias, Cesar Ramon Quinteros Alvarado, Julio Cesar Augusto Padilla Gonzalez, and Juan Adenolfo Galvez del Cid. Lieutenant Col. Efrain Alfonso Izaguirre Cambara, Captains Carlos Alberto Arriaga Lopez, Juan Fernando Folgar, Adalberto de La Pena Corado, Major Byron Humberto Barrientos, and Sub-Lt. Jose Paiz Galvez were also tried.

The civil cases against Maj. Gustavo Adolfo Diaz Lopez and Lt. Col. Gustavo Adolfo Padilla Morales were also dismissed.

* New Tax Bill Presented to Congress

90CA0062A Guatemala City SIGLO VEINTIUNO in Spanish 25 May 90 p 3

[Text] Between June and December 1990 the government expects to receive an average of 100 million quetzales per month by way of tax collections, as a result of the tax package that the Finance Ministry submitted to the Congress of the Republic for consideration.

One of the bills, the Law Against Customs Fraud and Contraband, is penal in nature. The ninth one creates the Social Investment Fund, which has $50 million for starting up operations.

The new tax laws will severely affect production and the generation of new employment sources. Instead of reinforcing an administrative austerity plan (which would effectively reduce the fiscal deficit), the new regulations increase the tax burdens on the productive sector, thereby making the purchase of foreign currency more expensive. They also spoliate 80 percent of the exchange profits, forcing exporters to make advance payments of taxes on unearned income.

Other affected sectors, such as charitable associations, also expressed their concern over the economic limitations they will face as a result of the new fiscal laws.

The total sum estimated is 700 million quetzales.

The following summary details the purpose, content, and estimated amount to be collected in the case of each of the eight new tax provisions.

1. Title: Law on Abolishment of Fiscal Privileges. Purpose: Reduction of tax evasion and elimination of tax exemptions. Content: It repeals laws and legal provisions, as well as income tax exemptions. Amount: 372 million quetzales.

The economic legislation should not stipulate privileges for the private sector. State privileges, such as those for the GUATEL [Guatemalan Telecommunications Enterprise] and INDE [National Institute of Electrification] monopolies, are not being eliminated; nor are the privileges and distortions contained in the tax laws, such as the VAT [value added tax] being eliminated. Moreover, there is a tendency to discourage certain productive activities through the establishment of price ceilings.

The elimination of privileges and other distortions in the economy is an appropriate measure, but it should be total and consistent.

The correct and total implementation of Article 130 of the Constitution is required.

2. Title: Law Against Customs Fraud and Contraband. Purpose: To combat corruption, so that the entry and exit of goods are conducted legally and the respective taxes paid. Content: It establishes measures to make effective the control of contraband and fraud in the area of customs.

Despite the good intentions that prompted it, this law contains errors that could induce corruption as well as the abuse of authority. For example, the alteration of documents by a customs official for purposes of making an illegal charge.

3. Title: Law for Surtax on Foreign Currency Purchases. Purpose: To stabilize domestic prices of petroleum and its by-products. Content: It establishes a special four percent surtax in quetzales on the value of "foreign currency purchase" operations. Amount: 130 million quetzales.

This bill, if passed, will increase the price of foreign currency and hence the cost of production. It will foster a black market for foreign currency and, in the case of exports, it will generate a production cost which is not recoverable. This will have an effect on the capacity to compete on the international market. It is estimated that this could result in double taxation.

4. Title: Amendments to the Central American Tariff and to Decree 63-87 of the Congress of the Republic. Purpose: To promote price structures more accessible to the population, to improve tax collection, and to eradicate corrupt customs practices. Content: It changes tariff positions in Part III of the Central American Tariff, and suspends exemptions in Congressional Decree 63-87; although it cites the collection of three percent (four percent tax in the Law on Poultry Raising Promotion). Amount: 52 million quetzales.

5. Title: Amendments to Decree-Law 22-86 and Decree 1701 of the Congress of the Republic. Purpose: To enable the state to have the necessary financial resources for public spending readily available and in sufficient quantity. Content: It would increase charges for the issuance and revalidation of passports, both internally and externally, as well as the taxes on departures from the country. Amount: 22 million quetzales.

6. Title: Law for Surtax on Exchange Profits. Purpose: To tax the "extra" earnings, stemming from the refunds to exporters, of the exchange differential resulting from the difference in the exchange rate in effect when the advanced entry of foreign currency takes place, and that in effect when exporting is completed. Content: It establishes a surtax on exchange profits, applicable to the 80 percent differential in quetzales. Amount: 22 million quetzales.

This law is spoliative. It collects 80 percent of the profits accrued! Calculation of this income is unrealistic because, under the terms of Decree 147-88, either the exports have already been liquidated, or the entitlement to the profit has been lost.

7. Title: Amendments to the Law on Income Tax and the Determination of the Monetary Interest Rate. Purpose: To prevent income tax payment evasion derived from exports, lotteries, and the like. Content: It forces exporters to pay four percent of the FOB value of every export (in the form of a withholding that can be credited to the tax payment). Amount: 206 million quetzales.

This bill is thought to be based on shaky grounds because the generating act, is exporting, and it applies to a tax generated by income.

If one considers the fact that the generating act is exporting, triple taxation could occur, taking the Stamp Tax and VAT into account.

It hampers and discourages exports, and curtails the entry of foreign currency.

It encourages under-billing and the withholding of foreign currency.

8. Title: Law on Temporary Tax Exemption System. Purpose: To improve the collection of funds. Content: It establishes a temporary system for tax exemption so that taxes owed are paid.

* Chamber of Industry Opposes Tax Bill

90CA0062B Guatemala City SIGLO VEINTIUNO in Spanish 25 May 90 p 12

[Text] Yesterday the Chamber of Industry expressed the view that, if the tax package currently being debated in the Congress of the Republic (at the proposal of the executive body) were approved, the people would be betrayed because they would continue to be penalized and forced to shoulder new tax burdens.

It added that, with this big new package containing nine more taxes, the cost of living will rise, directly affecting Guatemalans. It will also cause serious harm to the battered family economy, heightening the despair among the people confronted with the authorities' indifference.

The businessmen claimed that the taxes hurt production, causing serious problems for the country's productive sector which is making a significant contribution toward keeping the Guatemalan economy sound.

The Chamber of Industry gave a reminder that the deputies owe their status to the people, since they were elected by them, and that they should oppose the new tax package.

According to the Chamber, it is inconceivable that the government should be unable to cope with the country's situation, when tax revenue has tripled since the beginning of its administration.

The Chamber of Industry concluded by saying, that another tax burden is unjustifiable because the government has spent what it has received on unnecessary expenditures, such as travel by officials, without considering the social damage which is being caused.

* Central Bank's First Quarter Report

90CA0062C Guatemala City SIGLO VEINTIUNO in Spanish 20 May 90 p 8

[Article by Adolfo Barrera Ortiz]

[Text] The Bank of Guatemala announced, during the first quarter of this year, that a series of favorable indicators occurred in the economy which, it claimed, were a result of the exchange and monetary policies recently adopted.

A central bank document entitled "Objectives and Results of the Recently Adopted Policy Measures," to which ACEN-SIAG [expansion unknown] had access, states that the fundamental objective is based on the search for a model of outwardly directed growth that would generate sufficient foreign currency, to meet the country's requirements through an appropriate level of production to cover domestic consumption needs.

With regard to the performance of the exchange market, it admits that there were speculative factors in determining the exchange rate. Nevertheless, it is of the opinion that foreign currency income has maintained a constant, rising flow; a tendency that is enabling the country to increase its supply of external monetary reserves.

The report claims that the revenue posted during the first quarter is the highest for this period in the current decade, having increased by 36 percent in comparison with that in 1989.

Recovery in Exports

According to the document, foreign currency originating from exports has shown a considerable recovery, because during the early months of this year about $350 million entered. Prominent in this total were sales of non-traditional products, such as items of clothing, vegetables, and fruit, wooden manufactures, and various items directed toward the U.S. market.

The Bank of Guatemala analysts note that the national economy has undergone a major change in its productive structure, because products such as textile manufactures have displaced cotton, meat, and cardamom. The group of non-traditional products, for its part, has reduced, percentage-wise, the relative importance of coffee as a principal generator of foreign currency.

The economic adjustment policies have given priority to the expansion of exports. In this strategy, the integration of the Central American area has moved to a secondary level. This is apparent from the performance of regional trade, which has declined; because between January and April 1989 sales to neighboring countries amounted to $11.3 million, whereas this year they total $8.9 million.

According to the Bank of Guatemala statistics thus far, this year the exchange balance, on the income level, has evinced some recovery. Nevertheless, insofar as outgoing foreign currency is concerned, it has assumed a higher rate. The variation in purchases in the banking system was 20.6 percent, while sales increased by 33.8 percent.

Prominent among the items causing the egress of foreign currency are the so-called miscellaneous types, comprised of a series of unspecified items: phenomena attributed to practices allowing for the flight of capital. During the period in question, the Bank of Guatemala observes that, whereas this drain of foreign currency was only $11.6 million in 1989, during the first months of this year it totaled $63.1 million.

A similar performance is shown by foreign currency originating in transfers, direct investments, and payment of the foreign debt which continues to be one of the causes of the drain in international monetary reserves.

As for payment of the foreign debt service, in the eyes of the central bank authorities, the country has already done what it can in terms of renegotiating with the international financing agencies. This is because that type of credit was granted on extremely advantageous terms, unlike the funds obtained from private banks, with which there are limited contractual possibilities of negotiation.

During recent years the Bank of Guatemala has resorted to constant loans from foreign banks to meet the demand for foreign currency used to pay for imports. They currently comprise 42 percent of the country's total foreign debt.

Uncertainty Caused Financial Imbalance

One of the characteristic elements in the dynamics of economics has been the population's constant uncertainty; because, at the end of April, the widespread rumor of a freeze on savings deposits caused withdrawals of funds by private individuals. This, in turn, resulted in a greater preference for liquidity in foreign currency.

Bank of Guatemala officials argue that the excess demand for dollars was prompted by the importers' intention to provide themselves with sufficient stocks of merchandise, gaining access to the mechanisms for exchange guarantees applied to letters of credit abroad. Nevertheless, with the dynamics of the monetary market, prices also changed drastically as they adjusted to the new exchange rates.

During recent weeks, when the central bank left the purchase and sale of dollars in the hands of the banking system, business owners have been dependent on the purchasers of certain goods, such as equipment, vehicles, industrial components, and miscellaneous items, as well as the delivery of foreign currencies in cash. A new

mechanism for speculation has emerged again, despite the fact that economic authorities have declared the illegality of such operations.

Fabian Pira, manager of the Bank of Guatemala, recently remarked that the entire group of measures adopted by the government is directed toward giving an impetus to the modernization of the nation's economy. He cited evidence, such as the emergence of new companies exporting industrial manufactures and vegetable products.

He admitted that the Guatemalan model was inspired largely by the experience of Southeast Asian countries. Added to this, is the fact that various independent analysts note that high-ranking central bank officials strongly support measures aimed at privatizing public enterprises, and guaranteeing less state intervention in economic activities.

* Former CACIF Head Cites Growing Poverty

90CA0062D Guatemala City PRENSA LIBRE in Spanish 15 May 90 pp 24, 60

[Article by Juan Luis Bosch]

[Text] Engineer Juan Luis Bosch, former chairman of the Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations (CACIF), and of the Chamber of Industry, claims that the economic situation of Guatemalans is one of impoverishment.

He asserted that the impoverishment is due to a real loss of purchasing power in the workers' wages, attesting to a lack of investment; in other words, the absence of development because the last decade was a period of recession.

Bosch added that the ratio between economic growth and population growth is negative, because the latter is growing at 3.4 percent annually, whereas production is rising at a rate of 2.5 percent. This indicates that the population has increased by a rate of 15 percent during the past four years.

He stressed that our production deficit will soon be reflected in a rise in unemployment and, therefore, in a greater impoverishment of the population as a whole. He noticed this happening every day saying that [the population] can no longer only survive on what it earns.

Engineer Bosch added that the region's political instability has also had a strong impact on our country's development. He illustrated his claim by citing the 1970's, a decade in which an economic growth of five percent was achieved. When compared with the indexes for the last decade, "it shows a disturbing deficit."

He claimed that both the Nicaraguan and Salvadoran crises, as well as the Guatemalan guerrilla activity, have caused the flight of capital, and consequently, a stagnation in the country's development.

Engineer Bosch remarked that the productive resources are in the hands of the bureaucrats, who have increased in inverse proportion to economic development. He added that the present government is spending more economic resources on augmenting the bureaucratic apparatus, instead of allocating them to development, security, health, and education, which is what Guatemala demands.

The former head of the Chamber of Industry commented that, despite the foregoing problems, "I consider the bureaucracy necessary, provided it is efficient, capable, within the required range, and dedicated to serving in the aforementioned areas," for the benefit of all Guatemalans.

The commentator concluded by saying that it was necessary to create a development strategy, and that the Chamber of Industry had proposed options that should be supported by all sectors. However, this was a political decision that needed to be made by the government, by motivating and promoting the productive sectors to make the "economic pie" grow.

* INE Reports Growing Inflation

90CA0062E Guatemala City CRONICA in Spanish 1-7 Jun 90 p 35

[Excerpt] The National Statistics Institute (INE) reports an inflation rate of 18 percent for the third week of May. On the other hand, the Bank of Guatemala claims that the midyear inflation rate has already reached nearly 37 percent, compared with the end of 1988 and 1989, when the inflation rate totaled 11.2 and 20.8 percent, respectively.

According to the INE sample which includes 212 items comprising the family food basket, it was during the third week of May that the most glaring price increase occurred in the category of medical care, which rose 36.9 percent over last December's figure. It was followed, in this order, by education, with 22.4 percent; household furniture, equipment, and maintenance, with 20.7 percent; food and beverages, with 19.3 percent; and housing expenses, with 18.6 percent. To be added to these items which are the ones showing the most significant hikes, are rises in the cost of clothing, footwear, transportation, communications, reading, recreation, as well as other consumer expenses, with a total average increase of 14.12 percent. According to INE, on average the third week of May proved to be 5.5 percent more expensive than the previous month.

The Money Is Insufficient

The government itself has not escaped this inflationary spiral either. The situation whereby an austerity system has been imposed is compounded by the fact that the current budget is the same one that was in effect last year, devised on the basis of an exchange rate of 2.70 quetzales per dollar. After the quetzal had been floated, prices rose and, as a result, the government's expenses

increased. The Finance Ministry, through current transfers, adjusted the operating expenses demanded by various state agencies, at the cost of sacrificing investment spending, while prioritizing payment of the foreign debt.

During the first quarter of this year the investment section accounted for nine percent of the operating expenses. This is a low figure if one considers the amount spent in previous years. Nevertheless, since there was a desire for the state bureaucracy to continue operating, the central banks resorted to a policy of financing public spending, by issuing money with no guarantees. Thus, in April, 123 million quetzales went into circulation; of course, it should be borne in mind that, last December, 418 million quetzales were required by the Ministry of Finance to cope with its expenses. [passage omitted]

Honduras

General Confirms Measures in Fonseca Gulf

PA0507214890 Panama City ACAN in Spanish 2014 GMT 5 Jul 90

[Text] Tegucigalpa, 5 Jul (ACAN-EFE)—Honduran General Arnulfo Cantarero confirmed today that the Honduran Armed Forces have reinforced their forces in the Gulf of Fonseca (Pacific Ocean), where a military confrontation with El Salvador almost took place recently.

Cantarero, chief of the Armed Forces, gave no details regarding the security measures taken in the gulf, but he stressed that the Honduran forces are ready to "defend our sovereignty."

That part of the Pacific—to which Honduras, El Salvador, and Nicaragua have access—has caused a lot of regional tension that still persists because of border and econonic sovereignty problems.

Cantarero confirmed that at the end of June, a Honduran coast guard and several Salvadoran boats came close to having an armed confrontation in the gulf.

"It was caused by a misunderstanding by the Salvadorans, but I sent an air force squadron to avoid a confrontation," said Gen. Cantarero.

According to official sources, Honduras has a naval base and several infantry battalions in the gulf.

There is also a U.S. Army radar station on the Honduran island of "El Tigre." That station was installed in the mid-seventies with the official purpose of "avoiding illegal arms and drug traffic."

Reportage Focuses on Company, Trade Strikes

Callejas Will Not Declare Illegal

PA0507142590 San Pedro Sula TIEMPO in Spanish 29 Jun 90 p 4

[Text] Tegucigalpa—President Rafael Leonardo Callejas reiterated on 28 June that his government has no intention to declare the strike by the Trade Union of Tela Railroad Company Workers [Sitraterco] illegal, and that this position must not be viewed as a sign of weakness.

He said that the decision of the Trade Union Federation of Northern Honduran Workers [Fesitranh] to back Sitraterco was to be expected. He noted that the government has made efforts so that the parties to the conflict can hold a dialogue. A similar effort was made in the case of the strike by the Trade Union of Medical, Hospital, and Related Workers [Sitramedhys]. He said that these efforts "are, basically, a call to stop a general strike."

A general strike, he said, "would have a serious impact on the country. I would say, considering the economic situation of Honduras, a general strike would have inflationary consequences."

Callejas said that he keeps in constant touch with the leaders of Fesitranh and other labor unions and that he has some people "holding intense dialogues with Tela and Sitraterco people to avoid a general strike and so that the parties can engage in a dialogue."

Callejas reported that he has talked with private enterprise sectors that to a certain extent, he admits, "have reason on their side when they speak of the need for implementing the law strictly. However, we must recall that Honduran society functioned for years in an illegal framework."

He noted: "It is easy to declare a strike illegal but the implications that such a declaration would have are very complex. It would mean the elimination of the legal status of a trade union. This is why right now my position is one of dialogue. This should not be seen as a sign of weakness because we are not measuring strength. This is not a confrontation. I have simply concluded that a general strike in the midst of the economic crisis the country is enduring would have very negative consequences."

The president stated: "Honduras is in disastrous shape. A general strike would have a very serious impact on the country's currency and economy."

Army Said Taking Over Company

PA0507233890 Tegucigalpa Televisora Hondurena in Spanish 0100 GMT 5 Jul 90

[Text] San Pedro Sula—Mario Martinez, executive Fesitranh [Trade Union Federation of Northern Honduran Workers] member, made statements today regarding the talks among the labor federations that are demanding the

Honduran military to dislodge the facilities of Cementos de Honduras Company, which the military men took over this morning.

[Begin recording] [Martinez] At 0500 today, the Honduran military took over the Cementos de Honduran Company facilities. We are trying to solve that problem because it is a labor problem. The cement company workers are currently trying to establish a dialogue so that the military men will leave the facilities. The facilities are occupied by the workers as an expression of solidarity with the workers of Sitramedhys [Trade Union of Medical, Hospital, and Related Workers] and of Sitraterco [Trade Union of Tela Railroad Company Workers]. Our position on that remains unchanged. The workers of the Cementos de Honduras Company also occupied the facilities to make demands to the management to prevent reprisals against the workers and to normalize the situation regarding the threats of dismissals expressed by Engineer Larios Silva.

[Reporter] How is the situation on the strikes programmed by Fesitranh? There now seems to be complete unity among the other federations, Mario.

[Martinez] Yes, Felix, it is just as we have been announcing. If there is no flexibility on the part of the government, specifically the Health Minister and the Tela Railroad Company, the situation will become worse. Our comrades at FUTH [United Federation of Honduran Workers] and FITH [Independent Federation of Honduran Workers] have expressed their solidarity with Fesitranh, and a meeting is about to get under way here at Fesitranh with the struggle group [plataforma de lucha]. We have said that our position has always been to try, through a dialogue, to resolve all types of conflict, but we see that there is excessive intransigence on the part of the government and the Tela Railroad Company. [end recording]

Spreads to Many Trade Organizations

PA0507041290 Paris AFP in Spanish 0250 GMT 5 Jul 90

[Text] Tegucigalpa, 4 Jul (AFP)—In the next few hours, approximately 50,000 workers will join the strike to demand salary raises that the Trade Union of Tela Railroad Company Workers [Sitraterco] declared 10 days ago.

Sitraterco, the country's most powerful union, with 14,000 members, so far has been supported by 15 of the 53 organizations of the Federation of Honduran Trade Union Workers, including those of the Texaco refinery at Puerto Cortes on the Atlantic coast, the only refinery operating in the country.

In addition, the Central Federation of Free Workers Trade Unions, with 27 organizations and 26,000 members, announced that on Thursday it will join the strike in solidarity with Sitraterco.

Furthermore, the United Workers Federation, with about 25,000 members, most of them employees in the state-operated water, electric energy, and telecommunications services, on Wednesday declared a strike to become effective within the next few hours.

Also, about 14,000 state health workers on Wednesday will have been on strike for 24 days to protest the dismissal of more than 2,000 fellow workers.

More than 1,000 postal workers have also declared a strike to protest the laying off of about 600 of their fellow workers.

Sitraterco is demanding a 50-percent salary increase, partly since the Tela Company saw its expenses reduced as a result of the recent Honduran currency devaluation. The exchange rate went from two lempiras to the U.S. dollar to between 4.30 and 4.40 lempiras to the dollar.

The trade union, in addition, demands that the salary increase be retroactive to March, when the government approved the first currency devaluation and other economic adjustment measures.

Minister on Bush Plan, Foreign Relations

PA0307144890 Tegucigalpa EL HERALDO in Spanish 2 Jul 90 pp 32, 33

[Report by Armando Cerrato]

[Text] Foreign Minister Mario Carias Zapata has said: "Honduras meets all the elegibility requirements to receive the benefits of the new U.S. economic plan for Latin America in general and Central America in particular."

U.S. President George Bush plans to get the support of the U.S. Congress to write off the debt Latin America owes to the United States, while Secretary of State James Baker has proposed to all Central American countries a special economic assistance program contingent upon their compliance in three big areas—democracy, development, and disarmament.

"Our democratic system has made great progress. The electoral processes have been clean and they will become more technical as time goes on. We also had the initiative to strengthen judicial institutions in Central America to overcome problems in the courts, the administration of justice, and penal matters, which are all important elements in strengthening the democratic system," said Foreign Minister Carias Zapata.

Concerning Honduran foreign policy actions, he said that "the economic adjustment program implemented by the government of Rafael Leonardo Callejas is intended to make the economy healthy to promote foreign investment, increase national productivity, improve domestic savings, cut public spending and the

budget deficit, and cancel inefficient economic programs. This will permit a reprogramming of these funds in other sectors, particularly the rural sector." [as published]

Carias Zapata said that as far as disarmament is concerned, "Hondurans have taken the first steps in Central America by reducing our Armed Forces' budget by 10 percent. The Honduran Armed Forces continue to be the smallest in Central America and their activities are being diversified, focusing on preservation of the environment and the struggle against drug trafficking, without forgetting its role as defender of the country's sovereignty and territorial integrity. The Armed Forces also maintain public order, guarantee the transmission of power, and help in development programs."

On 31 July, Central American countries will begin a round of talks in Costa Rica to discuss a reduction of offensive weapons and troops. The foreign minister said that Honduras will take specific proposals to that meeting and will be willing to listen to the other countries in an effort to quickly achieve a security balance in the region.

However, the foreign minister feels that there are overall problems that prevent Central America from implementing a rational disarmament program soon, "particularly because of very intense internal conflicts in some of the countries of the region."

Foreign Minister Carias recalled that "Honduras was the first country to propose a dialogue to reduce weapons and troops in Central America within the framework of the negotiations sponsored by the Contadora Group (Mexico, Panama, Venezuela, and Colombia), but discussion of the problem has been postponed because of a negative attitude" first evidenced by Nicaragua and later shared by El Salvador and Guatemala.

However, Nicaragua presented a plan drafted by President Violeta Barrios de Chamorro calling for a cutback in the Sandinist Army from 81,000 to 45,000 troops, but Carias views this plan with some skepticism.

"The cutback announced by Nicaragua is very productive and Honduras welcomes it. However, one must not forget that the figures concerning the Sandinist Army cannot be trusted, because we believe that it has a minimum of 130,000 men, plus the militias and the parmilitary groups. They are now talking about a reduction from 81,000 to 45,000, but many think that this is a big show—a publicity stunt. Covered with it is the basic idea that the army of any country in the region should not have an effective capacity to intervene in any of the other countries."

Carias Zapata also stated that he has reports that disclose that desertions in the military in Nicaragua are an everyday occurrence and that youths of the various social levels are vowing not to enlist. Consequently, the idea that the Sandinist Army will be reduced, but under a definite ideology, is an acceptable theory.

He also noted that as long as the conflict in El Salvador is not resolved through dialogue, "the Salvadoran Army will not be reduced, and the same applies in Guatemala, but to a lesser extent."

The foreign minister feels that, because it has the smallest army in the region, Honduras must give specialized training to its air, naval, and police forces for them "to do surveillance work and guarantee our sovereignty at sea, particularly inside the 200-mile zone, as well as to put up a strong fight against drug trafficking and efficiently control public order domestically."

Carias Zapata feels that the arms and troop reductions as proposed by President Callejas "are what best suit the Central American isthmus, not getting rid of the armies and replacing them with a large police force, which seems to be the current trend in Panama and Nicaragua."

"If a country cannot keep 100,000 men in arms and have 10,000 trucks to place them quickly at the borders of another country, that is enough to keep it from having an offensive army. Besides, it is necessary to study the defense requirements of each country, because a drastic transformation of the Army into a police corps cannot be carried out as long as subversive movements continue to exist."

Relations With Everyone Except Cuba

Foreign Minister Carias characterizes Honduras' foreign policy as "very open" and asserts that "our position is to establish relations with the entire world, the sole exception being Cuba and other communist countries that adhere to the classic [communist] ideology, among which I do not include the Soviet Union."

Regarding the refusal to establish relations with Cuba, the foreign minister stated that that is because Cuba poses a "particular" problem that involves an emotional aspect and a strong security connotation in the Caribbean and Central America.

Nevertheless, the official feels that some contacts with the Cubans cannot be avoided and said that that is why "during the latest meeting of the Organization of American States (OAS) we asked that countries that maintain relations with Cuba make efforts to mediate with the Cuban Government to seek movement toward our style of living so that we may be able to coexist within the growing framework of a progressive democratic system of economic and social development. We want the Cubans to cease trying to revive ideologies and intervening in the internal affairs of regional countries and islands so that we may have security and so that tensions will not be exacerbated."

"We want to facilitate rapprochement [reencuentro] among the Caribbean countries, including the United States, Cuba, Central America, Mexico, Colombia, Venezuela, and the Caribbean to try to establish in this zone

a large framework of cooperation and prosperity. That is why we Hondurans are so widely open to relations with the rest of the world."

The foreign minister realizes, however, that Honduras is a small country and that, therefore, it cannot establish diplomatic relations with all nations on all continents. He said that that is why "we have instructed our delegation at the United Nations to establish all types of relations in New York with delegations from all over the world, while we look for mechanisms to correct the mistake we have always committed of not taking advantage of rapprochement opportunities to establish stable and permanent relations of all types."

East Europe

The foreign minister contends that Honduras must turn its eyes to East Europe, where rapidly changing circumstances are opening many possiblities of cooperation in a context of mutual respect.

"We must remain open, particularly now that we are being recognized as a country that adopts its own decisions and meets its international commitments even at the cost of great sacrifices at the level of the people and the state," said Carias.

In this regard, Carias praised the Honduran foreign policy because, even though Honduras is not ideologically in agreement with East Europe, it never abandoned commercial and other relations with such countries as Hungary, Yugoslavia, Czechoslovakia, and other socialist bloc countries.

In Search of Total Sovereignty

"This government is seeking full sovereignty and has made great strides in that direction in barely five months," Carias asserted. He said: There are no longer any armed contras in our territory. Our Armed Forces are in control of the territory they occupied for many years, and we are diligently pursuing our legal case with El Salvador at the International Court of Justice [ICJ] in The Hague, Netherlands."

The foreign minister has just returned from a working trip to The Hague, where he supervised the work of the Honduran mission and the foreign advisers who have been hired to assist them with technical and other aspects of the litigation.

"I am very pleased with the work carried out so far by our delegation at The Hague, and we will launch a large-scale information campaign for the Honduran people through the media as soon as the trial enters the oral presentation phase. This way the nation's public will be aware of the work that has been done, and we will give a summarized version of the volumes and documents that have been presented," he asserted.

Carias Zapata said that once the ICJ ruling is issued, Honduras will assume full sovereignty over all its territory, and one of the current government's main goals will have thus been achieved.

The foreign minister does not have the specific figures of the economic costs incurred so far to maintain the national delegation in The Hague, its advisers and foreign consultants, and the daily expenses of everything related to that important international lawsuit with El Salvador to settle territorial disputes that date back one century and that brought the two countries face to face in a 100-day war in 1969.

"The cost of defending our views in The Hague is high, but it is worthwhile. The work has been going on for five years and is designed to define our last land border, and our maritime and insular possessions in the Gulf of Fonseca, which we share with Nicaragua and El Salvador," the foreign minister said.

"Once our border with El Salvador has been defined, we will have the atmosphere we never had to strengthen our nationality, because our territory has been used by the troops of other Central American countries when they were at war—since the 19th century—given our strategic geographic location, but all this will end," he emphasized.

The foreign minister reveals that the translation, consultation, and impression of Honduras' documents before being submitted to the special court in charge of El Salvador's case is expensive because "we pay an average $10,000 per ruling, chapter of translated document, and opinion. All this must be intensively and carefully prepared in advance by the Honduran experts from the Sovereignty and Borders Commission."

Honduras has submitted between 500 and 600 documents to the special court so far. Some of them are rather voluminous and had to be translated to English and French, and payments were made per chapter.

Nicaragua has asked the ICJ to let it participate in the trial to define the borders between Honduras and El Salvador, using the argument that it might be negatively affected when the Gulf of Fonseca maritime areas are defined.

This Nicaraguan interference has forced the Salvadorans and Hondurans to request a one-month postponement for the presentation of a counterbrief that should have been in the judges' hands in December 1989.

Honduras has faced translation and opinion problems with some documents, but never problems in intellectual production.

The foreign minister believes that all the legal problems stemming from Nicaragua's request to become a third party "will soon be settled, because we know that this is a request prompted by political rather than sovereign zeal. Nicaragua has yet to define what problems it detects in the procedures followed so far in the trial

between the Hondurans and Salvadorans. We say that their's is a political pretension because it was intended to change the court settlement or have the case turned over to a plenary court. This is inadmissible for us because everything has progressed well—besides, their statement is a formality and it is ambiguous."

The foreign minister revealed: "We have reached the extreme of allowing Nicaragua to state its views on the Gulf of Fonseca issue, but El Salvador does not accept even that, and it adamantly refuses to allow Nicaragua's participation. Now the Special Court must decide whether or not it is allowed to participate."

Concerning the most recent incident that occurred in the Gulf of Fonseca between a Honduran patrol boat and several Salvadoran patrol boats, Carias Zapata said: "We are gathering all the information we can on this to present a formal protest."

He said that he expects the incidents will result in the presence of patrol boats of the UN Observer Group in Central America (ONUCA). The Argentine Navy will be in charge of this task and will begin working this week.

ONUCA forces will patrol the Gulf of Fonseca to prevent it from being used for arms trafficking and the transferring of men from Nicaragua to El Salvador. Carias also feels that "the ONUCA presence will also help change the climate of aggression felt in that area."

He explained that Honduran sailors and fishermen are constantly harassed by Salvadoran and Nicaraguan naval forces. He added that the Salvadoran and Nicaraguan Navies misunderstand the problem. They believe that, by patrolling the Gulf or carrying out provocative or aggressive acts, they are going to gain influence or obtain rights when the ICJ issues a ruling on the jurisdiction of each country in that zone.

During the incident between the Honduran and Salvadoran navy patrol boats, the Hondurans were surrounded and they called for air support, which was immediately sent. A possible shoot-out and casualties were prevented because of diplomatic and military contacts at the highest levels. "Apparently, there is much tension in the Salvadoran Navy because of a visit by a delegation of Honduran deputies to the area," the foreign minister stressed.

The Honduran official does not rule out that, after the jurisdiction of each country is specifically defined in the Gulf of Fonseca, "there will be cooperative programs among Honduras, Nicaragua, and El Salvador. These programs will be in industrial, economic, commercial, and tourist development, as well as in matters of security. They could even involve the joint patrolling of gulf waters."

Local popular sectors believe that the country's total sovereignty will not be obtained with the contra withdrawal and the establishment of the border with El Salvador only. Regarding this, they said that the U.S. troops stationed in Palmerola, Comayagua, must also leave the country. These troops have been in the country since 1982 under the pretext of conducting joint military maneuvers and readiness and emergency exercises with Honduran soldiers based on an old Military Assistance Treaty that dates back to 1954. Two protocols have been appended to this treaty, and a third one is being studied.

Carias Zapata explained: "The justification for the U.S. miltiary presence in Honduras is within the historical context of the Central America of the past decade when Sandinist Nicaragua began its expansionist ideas and plans. It became necessary to go from a small military mission to having the United States send soldiers and equipment for maneuvers and exercises, and thus begin another kind of cooperation with our Armed Forces."

Regarding the question of whether the situation in the region, which seems to have entered a period of detente, is calm enough for U.S. troops to leave Honduras, the foreign minister said: "Not yet, because some of the reasons for being here—the Central American conflict, for example—are still present. El Salvador is still at war and a question still lingers on: Is Cuba still interested in giving military support to the Farabundo Marti National Liberation Front? Also, it is yet to be seen how Central American cooperation in matters of security, in the face of a troop reduction, will work."

The foreign minister thinks that Honduras had only two alternatives considering that the Nicaraguan Army had more than 130,000 armed men in the 1980's: either permit the U.S. military presence in the territory or increase its Army by a number of men proportional to the number by which Nicaragua increased its own.

"Honduras opted for a special security relationship with the United States. However, it did so without seeking the establishment of permanent U.S. military bases in Honduras, even though this would have been perfect protection against the military and ideological threat of a regime deeply committed to the Soviet Union's ideology," the minister said.

Carias Zapata does not advocate the establishment of permanent military bases in Honduras, "although we could profit nicely from an arrangement similar to those negotiated between the United States and Spain, Greece, Turkey, Cyprus, and the Philippines." This stand has been defended by a number of Honduran sectors for several years because they think the Americans have long enough enjoyed the territorial advantages offered by Honduras for their military adventures.

Regarding the formation of the Central American Parliament, which only Costa Rica has not ratified, the minister thinks that "it will be necessary to work on this forum gradually because it was born with certain structural defects. I do not think the treaty is the best one that could have been negotiated because, in addition to a parliament, it created a forum of vice presidents and

other political leaders to head the integration organizations. The truth is that neither the Honduran Government nor any other government in the region thinks that the economic integration movements or new proposals to coordinate macroeconomic adjustments should be made through such an uncertain organization as the parliament."

However, the minister believes that the parliament will work politically because the presence of Sandinist deputies will no longer legitimize the Sandinist regime, which is regarded as ideologically and militarily dangerous for the region. The parliament "can function as a genuine forum of political expression because of the procedure whereby its members are elected. Nevertheless, this procedure and the cooperation of various groups in each region must be refined and reinforced to avoid a confrontation of nationalities."

Finally, the foreign minister thinks that the three main objectives of the Callejas government are being fulfilled: peace in Central America; defense of Honduras' territorial rights; and greater involvement of the Foreign Ministry in foreign policy, which should be oriented toward development.

Nicaragua

Communique Issued on Arms Confiscation

PA0507231890 Managua Domestic Service in Spanish 2125 GMT 5 Jul 90

[Communique read by Government Minister Carlos Hurtado at the Presidential Press and Information Directorate in Managua—live]

[Text] Obeying instructions of President Violeta Barrios de Chamorro in her speech on disarmament and reconciliation dated 15 June 1990, I have instructed the National Police general directorate to implement a national plan to pick up all firearms that are not duly registered and do not fall under the following classifications:

A. Arms used to protect economic, industrial, and service installations.

B. Arms used to protect personnel in charge of transferring securities.

C. Arms used by active members of the Sandinist People's Army and the ministry of the government.

D. Arms in the hands of civilians who fall under the following categories: PP—all the country; SSC—commercial service; TP—personal protection.

July 30th is hereby established as the deadline to register small and hunting arms, such as pistols, revolvers, shotguns, and .22 caliber rifles. These arms can be registered at any police station. Between now and the deadline, it will not be necessary to submit a purchase invoice or a certificate of origin. Active and duly authorized servicemen have the exclusive right to bear war weapons. Any such war weapons in civilians' hands will be confiscated.

The use of hunting arms other than those mentioned will be authorized for the members of duly registered hunting clubs only. For the transport of securities and the protection of installations, only shotguns and small arms will be authorized. The people are hereby encouraged to report in writing at the nearest police station any illegal possession, trafficking, and use of arms. Any stolen or lost arms should be reported to the police within 24 hours. Every gunsmith must submit a monthly inventory of the arms repaired or under its custody to the nearest police station.

As of 30 July, any arm borne and not falling under the authorized categories must be confiscated and its possessor will be dealt with according to the law. Failure to comply with this communique will entail the application of the pertinent legal regulations.

Managua, 5 July 1990.

Arms Distribution Discussed

PA0607030090 Managua Domestic Service in Spanish 2120 GMT 5 Jul 90

[News conference by Government Minister Carlos Hurtado and Deputy Defense Minister Major General Joaquin Cuadra Lacayo with unidentified moderator and foreign and local reporters at the Presidential Press and Information Directorate in Managua—live]

[Text] [Cuadra] Because of the Nicaraguan Resistance's demobilization process, which has brought stability and peace to our country since mid-June, the Sandinist People's Army [EPS] has been carrying out an internal rounding up process of the war arms in the hands of small reserves, militiamen, self-defense units, and agricultural cooperative protection units in the country's 1st, 5th, and 6th regions. Taking into account the peace situation in the country, this process intends to avoid leaving arms scattered throughout the national territory. The deadline to complete the process is 10 July. Great efforts have been made toward this completion, particularly in the 1st, 5th, and 6th regions and Nicaragua's Pacific regions as well. We have been informed that so far more than 20,000 rifles have been collected at Army depots. Throughout all the years of war in our country, these rifles accomplished their mission for various Army units.

Together with the Government Ministry, the Army has redistributed and rounded up its armaments. As of 30 July, according to the communique that the government minister just read, we will enter the second stage, in which we will confiscate all arms in the illegal possession of civilians. We are sure that this general redistribution process will enjoy the people's support and cooperation because evidently the conditions and the situation that forced cooperatives, settlements, and state production units to defend themselves no longer exist. There is no

more danger and no reason for small militia and self-defense units to continue to be armed.

This will permit a better climate of peace in our country. Fortunately, the problems in the country's regions that were affected by war for many years will no longer have to be settled with the arms as in the past, but they can be settled through other means. We hope this process will ensure stability and peace for the Nicaraguan people.

[Moderator] Before entering the question and answer session, Minister Hurtado will announce the names of the minister's delegates in the country's various regions.

[Hurtado] In operations not exclusively oriented to disarming the civilian population, but conducted gradually in the country, approximately 4,500 rifles in civilians' hands were rounded up in June. These, plus the approximately 20,000 rifles of the Army, make up nearly 25,000 rifles scattered throughout the country, all of which were picked up and put in responsible hands. The idea is to gradually guarantee peace in the country—now that the war has ended—and provide the greatest possible peace for the population. I wish to announce that, as of next week, civilian delegates of the Government Ministry will assume office in the country's various regions as part of a reorganization in the ministry. These are the names: Crisanto Castillo, in the 1st Region; Humberto Reyes, in the 2d Region; Joaquin Lobos, in the 5th Region; Jaime Cuadra, in the 6th Region; and Albert Brooks, in the southern Atlantic's autonomous region. The delegate to the region of the northern Atlantic will be announced soon, and the delegate to the 4th Region has not been appointed yet but will be announced tomorrow. On Monday all the delegates will convene, and we will hold a preliminary session at the ministry. I will let the journalists know the exact time so that you can learn about the spirit, the need, and the gap that these delegates fill in the country's present situation. I will now take questions.

[Reporter] Mr. Hurtado, several National Opposition Unity [UNO] leaders have said that 100,000 arms had been handed over to civilians in the past. So far, 25,000 of them have been rounded up. Do you people think you will succeed in rounding up all of those 100,000 rifles? Do you think you have estimated correctly?

[Hurtado] I think the estimate is considerably high. We intend to round up all of the arms in civilians' hands. Of course, this cannot be done overnight, but it will be done anyway and in the least possible time. Much time and effort will be put into it.

[Moderator] Every journalist shall identify himself with his name and the media that he represents.

[Reporter] [Words indistinct] if they were detained according to instructions [words indistinct]. Why were they detained 15 minutes before a news conference?

[Hurtado] Look, they were not detained. I want to make this perfectly clear. They were not detained. Leaders and any other people are entitled to strike. This is something we want to preserve in this country. This is democracy at work. We had the chief of police call them to warn them that because of their great responsibility as union leaders, their actions should be in accordance with the law. The fact that a news conference was held 15 minutes later was purely coincidental and not planned. You know that in this country everybody can speak out with great liberty. They could have made any statements for the media.

[Fuentes] Noel Fuentes Fabrega, Mr. Minister. What will be the fate of the arms that will be confiscated? Will they be destroyed like the arms that were confiscated from the counterrevolutionaries? Will they be stored or redistributed?

[Hurtado] The arms that the EPS once distributed to the people will be stored away by the Army along with, I believe, most of the weapons of the EPS that will be seized—even though President Chamorro has some ideas about the weapons that will be seized. I believe that she will give a statement in the near future and will outline her ideas on the issue.

[Reporter] Mr. Hurtado, I interviewed Labor Minister Francisco Rosales this morning, and he told me that the government never issued an arrest warrant, or anything like that, against labor leaders on 4 July. He also said that this was a [words indistinct] from the chief of the National Police, Commander Rene Vivas, to a strike that is—in his own words—dead. I would like to know if that is true. In any case, talking about the arrest, I was there when they were brought in. If that was not an arrest, I do not know what it was. What happened during those two hours, and what was the reason for this?

Also, two days ago, and again today, a small group of Nicaraguans came to my offices—I understand that they also went to other news agencies—and said that they had 8,000 armed men and that the days of Violeta Chamorro's government are numbered. They did not say how many days. Today they told me that the labor leaders' delegation was the result of the pressure exerted by the masses, without specifying what kind of pressure was exerted. What information do you have on this group?

I have another question: Vice Minister Cuadra, I would like you to tell me what is the status of the Army's 50-percent reduction announced by President Chamorro when the war officially ended in the country? How men have been disarmed? How many correspond to the group of officers, soldiers, etcetera? I want all the information about the disarmament process. Thank you.

[Hurtado] Referring to the labor leaders, they were summoned, and their arrest never took place because it was always assumed that they would be free to leave afterward—as they did. Therefore, the problem was not whether or not there were people supporting these leaders—aside from the police. It was simply that there was never any intention of arresting these people. They were

simply summoned. The police fulfilled their duty by warning them that they should act according to the law, given their responsibility as leaders.

As for the new group, I have no information about the existence of 8,000 armed men. I do not know what they are talking about. They say that they are prepared to—what was it that they said?—to end the days of...

[Reporter] That the government's days are numbered.

[Hurtado] That its days are numbered. We will see about that. I can count they days that President Chamorro has left. She will turn over power in 1996. [laughter heard in the background]

[Reporter] What about the order to bring in the labor leaders to talk with them? Mr. Rosales said that...

[Hurtado, interrupting] I instructed the chief of the National Police to do that. I issued the order.

[Cuadra] Referring to the other question on EPS reduction, we said that the first phase of the general plan for the EPS reduction ends on 10 July. We explained that as a result of this general reduction plan and the first phase, which is what you might call a quantitative phase, we have taken two measures. The first measure is the demobilization of the Patriotic Military Service personnel, meaning the SMP personnel, that was in active military service in various Army units.

The second measure is the reorganization and the gathering of weapons distributed to small Army units known as reserve units, militia units, and self-defense units. In July we began to gather their weapons in an orderly way and to collect them in several Army storage centers. Those were the figures we gave, meaning slightly more than 20,000 assorted weapons have been gathered.

Therefore, this practically concludes the first phase of the general plan for the EPS reduction. This also establishes the conditions for entering the second phase which, like the president announced, will end next year. That is more of a qualitative phase because it involves perfecting and reducing the various EPS structures. We will seek the process that must necessarily involve—as it was announced—the reduction of a given number of permanent personnel and Army officers. The process is currently being planned, and it might be ready in a couple of months.

We will then have meetings and carry out a work process with an inter-government commission. This commission will ensure the transfer of permament personnel and Army officers that will be discharged.

This procedure is in the planning stage. It will probably be ready in a couple of months. As soon as it is completed, working meetings will be held by an intergovernmental commission. This commission will be formed to ensure that permanent personnel and officers of the Army who will be discharged can return to civilian life.

[Reporter] You have just confirmed the workers' right to strike. This strike has been going on for four consecutive days. It is unlikely that any agreement will be reached during the meeting of the National Workers Front leaders and the labor minister that will be held today. If the strike is not settled today or tomorrow and continues to increase as it has been, are you determined to instruct the police to use force to stop the strikers?

[Cuadra] May I reiterate that the right to strike cannot be questioned. The problem arises when public buildings and offices are taken over by strikers. I want to take the opportunity to call upon the strikers to stop such actions, which lead nowhere and mean nothing for anyone. If they think that they must strike for three or six months or even one year, it is up to them. So far the government has exercised the greatest possible responsibility and common sense in the use of force. We intend to continue to behave like this in accordance with President Chamorro's instructions for the Nicaraguan people.

[Reporter] Do you mean that we can expect greater measures of force if, as you said, public buildings continue to be occupied by strikers?

[Cuadra] Yesterday strikers were removed from some of the buildings that had been taken over, and there were no major problems. I think it is possible for the government to continue acting like this.

[Reporter] Mr. Cuadra, what are the specific plans to return discharged EPS members to civilian life? Who will carry out such plans? If these plans are to be carried out in stages, when would such stages begin?

[Cuadra] We are first of all trying to determine the number of military personnel who will be discharged. We are also developing several support programs for the officers to be discharged. It is important to point out that both the central government and the EPS will ensure maximum security and protection for the military personnel to be discharged and to be incorporated into civilian life. It would be a mistake to say, as some media have in the past using alarmist headlines, that hundreds of thousands of military men will be thrown out. This is a process that will take considerable time to implement and is being carried out very carefully and responsibly. The government has assured us that it will do everything possible and use various resources to reestablish these EPS officers into civilian life.

[Escartin] Jorge Escartin of TRADICION. Minister Hurtado: During the May strike, you apparently advocated a negotiated solution to the conflict. Even the first meeting was held in your office at 2300. I would like to know whether you are again seeking a negotiated solution to this conflict. This is my first question. My second one concerns the speculation about the possibility of using troops that are about to complete their basic training at the Oscar Mendoza Military School to control the strikes. I would like to know whether these police forces will play a role in this strike.

[Hurtado] I will answer your last question first. The graduation ceremony at the school was held yesterday. These men are not being trained as soldiers at all. They are being trained in physical protection. So there is no truth in what you mentioned, either in connection with these boys or any other force other than the police. Let us make this clear. As for the first part of your question, I think this situation should be negotiated. The government is not closed to such a negotiation. Quite frankly, I have played no role in this. However, I am willing to play a role any time. I have been devoting myself to other tasks.

[Moderator] Two more questions, please.

[Orozco] Roberto Orozco of LA PRENSA. I would like to ask the deputy defense minister a question. What will be the fate of the large-caliber artillery arms?

[Cuadra] I beg your pardon?

[Orozco] What will become of the large-caliber artillery weapons? I am asking this because there are many howitzers, tanks, and even helicopters in the country even though there is a peace process going on. This is why we would like to know what will happen to the large-caliber artillery arms.

[Cuadra] These arms already have a mission. They are in the EPS units. Their mission, and that of the EPS, is to defend the national sovereignty and territorial integrity. The arms that are included in the reorganization and rounding up process are small-caliber ones, mostly infantry weapons.

[Martinez] Mario Martinez of the weekly TRINCHERA. This question can be answered by either of the two officials. The Esquipulas, Tela, and Costa del Sol agreements, as well as all of the Central American presidential summits—with the exception of tbe most recent one, which did not discuss this military problem to any great extent—stipulated military strength reduction as a valid commitment for all of Central America, including El Salvador, Guatemala, and Honduras. These agreements also contemplated the withdrawal of foreign military troops and advisers from Central America. However, none of these agreements have been fulfilled in the rest of Central America. Nicaragua has started a unilateral disarmament process, but the causes of the war have not yet disappeared. The cause was the U.S. Government's aggression against the Sandinist government. The Sandinists have not disappeared and neither has the U.S. Government. My question is this: The government and the military structures are not willing to apply specific and serious pressures in Central America to restore peace in the region. It is the entire region that was involved. All of the commitments made earlier became [words indistinct].

[Moderator] Please ask a specific question.

[Martinez] My second question is this: Regarding both the demobilized of the military service and the EPS officers that will be affected by the reduction, are there specific plans in which development centers they will be permitted to live? Will the U.S. funds allocated for this purpose be distributed among the demobilized of both sides? These are my only two questions. Thank you.

[Cuadra] The various accords signed by the Central American presidents in this negotiation process include an important chapter on dealing with the establishment in Central America of a reasonable balance of forces. The EPS reduction is marked by two stages, as has been previously described again and again. The first stage is in the culmination of the internal military conflict in Nicaragua. Regardless of any disagreement with the United States, it is a fact that the military conflict in Nicaragua no longer exists. The second stage in the Army reduction is marked by the still unfinished regional negotiations to establish a reasonable balance of forces. At the recent presidents' summit held in Guatemala, a deadline was established, 30 July, to continue this negotiation on the reasonable balance of forces. It is based on any agreements that are reached during this meeting on additional steps to further trim the Nicaraguan Army in order to help achieve a balance of forces in Central America.

Regarding your second question dealing with plans for the demobilized: First, we have to distinguish between the demobilized of the Patriotic Military Service which obeyed the military active service according to law. These military men have already been demobilized and have returned to their home towns. No specific plans have been outlined for them. According to the country's general situation, they have received some benefits. Our main objective is to work with the permanent personnel and Army officers. They are professional soldiers, and special plans to reincorporate them into civilian life are necessary. The military men are young men who are civilians and are returning home after serving in the Army for two years. The other group of permanent personnel and Army officers is formed by professionals who must return to the civilian life. So we must have these differences very clear in our minds.

Further Reportage on Those Involved in Strike

Labor Strike Worsens, More Join

PA0507195990 Paris AFP in Spanish 1805 GMT 5 Jul 90

[Text] Managua, 5 Jul (AFP)—The labor strike that the pro-Sandinist National Workers Front (FNT) began on Monday, 2 July, worsened today with the incorporation of the banking system and the national and international telephone service workers into the strike and the paralyzation of six of the country's eight customs offices.

While the strike worsened, it was officially announced that Labor Minister Francisco Rosales and the FNT leaders, who were detained for two hours on Wednesday, 4 July, will meet today.

Labor sources told AFP, however, that "we can expect very little from the negotiations, because the government only wants to discuss the salary issue."

The FNT's main demands include a minimum wage of $200 a month; job stability; participation in the making of the government's political, social, and economic policies; and the elimination of the decrees ordering the revision of the confiscations conducted by the Sandinist government.

The workers of the Nicaraguan Telecommunications and Postal Services (Telcor) paralyzed the overseas telephone services that go via operator and are threatening cutting off the local automatic telephone service and the overseas direct dialing service as well.

In addition, the air traffic controllers are divided. Some support the strike and others want to continue working despite the call for a strike made by the pro-Sandinist workers front.

Of the eight land, air, and maritime customs offices in Nicaragua, only the one, at the Augusto Cesar Sandino International Airport, and the one at Penas Blancas on the border with Costa Rica are operating normally, although it is possible that these two customs offices may also join the strike today.

Meanwhile, the banks in Managua and many of its regional branches were paralyzed by the strike today, while the Foreign Ministry entered its fifth strike day today.

The Foreign Ministry employees had occupied the ministry facilities but were disloged by National Police antiriot forces last night.

A Foreign Ministry labor source, however, reported that the workers entered the facilities again this morning to continue their "sit-down" strike.

In the interior of the country, it was reported that thousands of coffee industry workers joined the strike, which is also affecting almost all the industries located in Managua.

According to FNT figures, up until yesterday a total of 70,000 workers were supporting the strike, which could paralyze the country if the conflicting parties fail to negotiate an agreement.

Medical Personnel, Miners Join

PA0607041790

[Editorial Report] Managua Radio Sandino in Spanish from 0000 GMT on 6 July carries updates on what groups are participating in the antigovernment strike.

At 0006 GMT the station reports that "Fetsalud [Health Workers Federation] Secretary General Gustavo Porras said that about 25 health centers, including hospitals and clinics, began a partial strike today." The report adds that Erasmo Rivas, representing the miners, said that "more than 2,000 workers of this sector are on strike to back the National Workers' Front [FNT] demands."

At 0013 GMT the station broadcasts a report that the supermarkets at Bello Horizonte and Ciudad Jardin neighborhoods "went on a partial strike today starting at 1400 in support of the workers' strike." The report adds that the supermarket workers marched yesterday and "the 500 supermarket workers who will go on a full strike tomorrow will demand a minimum salary of 200 gold cordobas and that 400 workers that are to be dismissed get to keep their jobs."

The station broadcasts the last strike report at 0017 GMT, saying that Inssbi [Nicaraguan Social Security and Welfare Institute] workers joined the strike during the afternoon "because Minister Silvano Matamorros does not want to negotiate the collective agreement." The report adds that Oscar Vargas, the union secretary general, reported that the Inssbi minister had said that signing the collective agreement was an irresponsible act of the previous administration.

Textile Workers Refuse To Take Part

PA0507190390 Managua Domestic Service in Spanish 1300 GMT 5 Jul 90

[Text] The workers of Tricotextil Textile Industry have said that they are not willing to join the labor strike. The workers issued a document stating their refusal to join the strike.

In the document the workers add that the industry's labor union is the one urging the workers to join the strike. The workers said today the Tricotextil labor union members will issue a document declaring the Tricotextil industry on strike. The workers say that this strike declaration is false because only 40 out of the 250 Tricotextil workers support the strike.

CTN Says Police To Ensure Workers' Safety

PA0607010390 Managua Radio Corporacion in Spanish 2322 GMT 5 Jul 90

[Text] The autonomous Nicaraguan Workers Federation [CTN] is informing employees of the Timal sugar mill and the plywood and (?Depasa) industries that they should go to work because the police will guarantee their right to work and their physical safety. CTN Secretary General Antonio Jarquin Rodriguez made the announcement on this Radio Corporacion newscast.

Jarquin said that he has asked ranking government ministry officials to instruct the police in Managua Department and Tipitapa to guarantee the right to work for those who wish to do so. Commander Rodriguez of the Managua Police Directorate confirmed this to leaders from the CTN on 4 July.

CPT To March to Labor Ministry on 6 July

PA0607043490 Managua Radio Corporacion in Spanish 2329 GMT 5 Jul 90

[Text] Labor Leader Antonion Jarquin, a member of the Workers Permanent Council, is on the telephone. He will

inform us of a march that the Workers Permanent Congress plans to stage on 6 July. Go ahead, Mr. Jarquin.

[Jarquin] The Workers Permanent Congress [CPT] has decided to stage a demonstration on 6 July. Participants will gather early in the morning in front of the LA PRENSA newspaper offices. At 0800 the marchers will set out for the Labor Ministry, where they will demand that the government provide full guarantees for the thousands of workers who would like to return to work but have been prevented from doing so by the terrorist actions perpetrated by the self- styled Sandinist National Workers Front [Frente Nacional de Trabajadores Sandinistas—FNTS]. As labor leaders who represent the Nicaraguan workers, we are tired of having armed groups, who are known for their criminal actions against the people and state, [six-second break in transmission].

The purpose of the march is to ask the government to adopt strong measures to prevent the continued sacking of state properties, and to end the attrocities that the Sandinist party [Sandinist National Liberation Front] is perpetrating against the nation. On behalf of the CPT, I would like to invite the workers and general public to the march on 6 July. We will gather very early in the morning in front of the newspaper LA PRENSA and begin walking at 0800 to the Labor Ministry, where we will strongly demand that the government stop allowing the Sandinists to continue imposing their political actions on us through terrorist methods that are damaging to the country.

Universities Suspend Activities, Support Strike

PA0507214790 Panama City ACAN in Spanish 2012 GMT 5 Jul 90

[Text] Managua, 5 Jul (ACAN-EFE)—The five most important universities of Nicaragua today suspended their academic activities to support the general strike that state workers decreed nine days ago and to protest the suspension of the subsidy for the students' transportation.

The National Autonomous University of Nicaragua (UNAN), the most important university in Managua; the UNAN in Leon; the Central American Universtity (UCA); and the Engineering University and the Polytechnical University—both located in this capital—today decreed a strike, which involved approximately 20,000 students.

No incidents had occurred until now, and the police are guarding the universities' main entrance.

Students from the UCA, which is managed by Jesuits, seized the installations to protest the Chamorro administration's decision to eliminate the subsidy on the students and professors' transportation.

The university students have also demanded a "readjustment" of the universities' budget; a reevaluation of the student scholarships; and respect for universtity autonomy which, according to professors and students, has been violated by the Chamorro Government.

The students of the four universities in this capital today gathered at the UCA to analyze the country's situation, which has gotten worse because of the government's decision to collect the electricity, water, and fuel tariffs in "gold cordobas," equivalent to the U.S. dollar, even though the coin is not in circulation.

The controversial coin, created by Central Bank President Francisco Mayorga, will begin to circulate within four weeks, and it is intended to end inflation and devaluations.

The university students have plans to go to the presidential palace this afternoon to ask the Chamorro administration to renew the dialogue with the state workers and the students.

Student leader Rafael Chamorro said that the university community is quite worried about the government's decision to suspend the transportation subsidy, which would not allow the students, professors, and workers "to continue their respective activities."

Juan Molina, a journalism professor at the UNAN in Managua, said to ACAN-EFE today that the university professors support the students and the 65,000 employees who are on a strike which threatens to paralyze the country.

The National Council of Universities today issued a communique stating its "great concern" over the general situation prevailing in the country, which "affects" the education system and the higher education institutions.

Last year the Sandinist government approved a resolution to subsidize the students' and professors' transportation. This decision has now been annulled by the new administration.

Demonstrate in Front of Presidency

PA0607021990 Panama City ACAN in Spanish 0029 GMT 6 Jul 90

[Text] Managua, 5 Jul (ACAN-EFE)—Approximately 2,000 Nicaraguan university students demonstrated today in front of the Presidential House to protest the suspension of the transport subsidy for students and in solidarity with the state workers' nine-day-old general strike.

The university students, who have paralyzed five universities in the country, were able to break through the riot police's security line and came to only 50 meters from the the government house despite the fact that demonstrations within a 200-meter perimeter are prohibited by the Government Ministry.

The conflict broke out three days ago when the government eliminated the transport subsidy for students and teachers set up by the Sandinists in the middle of last year.

A student commission entered the Presidential House and presented a letter to President Violeta Chamorro in

which they also ask for a "readjustment" of the universitary budget and a reassessment of scholarships.

In the document, the students give Chamorro a 24-hour deadline to answer to their requests.

The leaders of the student movement warned today that if Chamorro does not comply with the requests, "we will take more relevant actions."

Reportage on Alleged FNT Labor Leaders' Arrest

Jimenez Reports Being Threatened

PA0507193290 Managua Radio Ya in Spanish 1208 GMT 5 Jul 90

[Text] Despite threats, the struggle will continue. Lucio Jimenez, leader of the National Workers Front [FNT], has said he and other leaders were threatened with repressive actions by the authorities after they were arrested by the UNO [National Opposition Union] government yesterday. Lucio Jimenez said that the UNO authorities threatened fellow labor leader Edgardo Garcia, secretary general of the Association of Agricultural Workers, ATC, with serious warnings. We have statements made by Lucio Jimenez in a speech delivered last night at the (Nelty Rios) auditorium of the Central American University. The FNT leaders were accompanied by a crowd of demonstrators after being released by the UNO authorities.

[Begin Jimenez recording, in progress]...economics. They want to take the lands and the workplaces away from our fellow agricultural workers, who have worked hard with great sacrifices for 10 years. [crowd shouts indistinct remarks] [applause] [words indistinct] the combativeness, the firmness of our fellow workers and our reasoning have led us to believe that we have no other option but to strike because this government has disregarded laws and the labor agreements. Thousands of workers have been dismissed. That is why we are here. [applause] [Crowd repeatedly shouts: "Strike!"]

We were threatened with other actions if we continue the struggle. We can say we can carry out these actions with the support of the Nicaraguan people. [applause] [crowd repeatedly shouts: Not a single step backwards!]

We are going to tell the government and the UNO that this constitution can be reformed only by the people and the workers. [applause] [crowd shouts indistinct slogan] [end recording]

Danilo Lacayo Denies Arrests

PA0507172990 Managua Domestic Service in Spanish 1314 GMT 5 Jul 90

[Text] Danilo Lacayo, Presidency press and information director, has said that the leaders of the National Workers Front, FNT, have never been arrested. Lacayo said that Commander Rene Vivas called the FNT leaders in last night to warn them about promoting public order disturbances.

Lacayo also urged the labor leaders to avoid promoting disorder in the country. Let us listen to Danilo Lacayo's statements:

[Begin Lacayo recording] First, we would like to explain that we have received reliable and official reports from Frank Cesar Reyes, Government Ministry public relations office spokesman, that nobody has been detained at all. Commander Vivas called the FNT leaders in to talk to them and ask them not to disrupt public order. As you know, Violeta de Chamorro's government is a government of national reconciliation and dialogue. We are urging the labor leaders, who are promoting this strike, to avoid public order disturbances. That is basically what the government has done. The FNT leaders have never been detained. The authorities held a respectful conversation with the labor leaders. This conversation is included in the government's framework of dialogue and national reconciliation.

Therefore, we want to reiterate the call made by Commander Vivas. We truly urge the labor leaders to act responsibly and to respect the law, because through her various decrees, laws, and ministerial agreements, Mrs. Violeta is trying move the country forward. We believe all Nicaraguans have to contribute to that at present. This country is gradually moving forward. We are all working toward that end. We believe it is the duty of all Nicaraguans including government officials, businessmen, and public employees to help Nicaragua become a stable and democratic country, which is what we all want. We want Nicaragua to be a leading country in Latin America, socially and culturally speaking. That is basically what we have to say about this issue. [end recording]

TV Station Reinstates Dismissed Workers

PA0507185390 Managua Sistema Nacional de Television Network in Spanish 0330 GMT 5 Jul 90

[From the independent newscast "Extravision"]

[Text] More than (?200) workers of the Sistema Nacional de Television struck this morning to protest the arbitrary dismissal of (?10 fellow workers). However, after a meeting between the union and the management, the problem was satisfactorily resolved:

[Begin recording] [First unidentified worker] We were asked to leave the room, and our companeros met with the management for about 15 minutes, and a decision was reached: The dismissed workers were reinstated. We consider this to be a triumph of the workers of Sistema Nacional de Television. [applause]

[Second unidentified worker] As a long all the workers remain united, management will be able to do nothing. We will successfully fight any of its measures.

[Third unidentified worker] We, the cameramen, are united, just as all the other workers. We suppport and are waiting for the appropriate time to join the staggered strike that the National Workers Front is currently promoting. [end recording]

Panama

Linares Foresees Break in Ties With Cuba

PA0607012690 Panama City Circuito RPC Television in Spanish 2300 GMT 5 Jul 90

[Text] Foreign Minister Julio Linares has emphasized that the possibility of a break in diplomatic relations with Cuba has not been ruled out.

The Cuban Embassy accredited in Panama has not withdrawn any officials yet despite a request made by the Panamanian Foreign Ministry for all Cuban diplomats, except for four, to leave the country.

Foreign Minister Linares stressed that the Cubans are asking for a reconsideration of the measure.

[Begin recording] [Linares] The ministry's Foreign Policy Department has informed me that a telephone call was received from the Cuban Embassy to ask the Foreign Ministry to revoke the decision. In fact, the Cubans listed the names of some embassy officials they want to keep in our territory.

The Foreign Ministry's reply, which was also given over the telephone, was that they must submit any requests in writing.

[Reporter] Are these officials supposed to leave shortly?

[Linares] The Foreign Ministry gave them 10 days to leave the country. This means that after this period they will lose their diplomatic status. By losing it, they would remain in Panama like any other person; in other words, they would have no diplomatic immunity and, what is worse, no immigration status. They are in Panama because of their diplomatic status. Therefore, the Panamanian Government, through the Foreign Ministry, could deport them.

[Reporter] What are the real possibilities for a break in the weak ties between Panama and Cuba? In other words, what are the real possibilities for a complete break in diplomatic relations?

[Linares] I have always said that a normalization or break in relations is up to Cuba. If Cuba wants to have relations with Panama, it is welcome. However, if it continues its hostile attitude, we will wind up breaking our relations sooner or later; I believe sooner rather than later. [end recording]

Fugitive PDF Colonels May Be in Mexico

PA0507212390 Panama City ACAN in Spanish 1532 GMT 5 Jul 90

[Text] San Jose, 5 Jul (ACAN-EFE) —Interpol today reported that Alberto and Lorenzo Purcell, former Panama Defense Forces [PDF] colonels, left Costa Rica on 11 May aboard a commercial flight bound for Los Angeles scheduled to make a stopover in Mexico.

The Purcell brothers, sought by the Panamanian police for alleged crimes against the public administration, legally entered Costa Rica on 6 May through the Paso Canoas border post. Five days later they left, bound for North America through the Juan Santamaria International Airport.

The Interpol report upholds the thesis that the former colonels are in Mexico since they cannot legally enter the United States because they are included in the lengthy list of associates of the ousted Manuel Antonio Noriega regime, who are banned from entering the United States.

According to a Costa Rican spokesman, Interpol has notified the Panamanian Judicial Technical Police of the route followed by the fugitives, so they can continue the search in Mexico.

Attorney General on Legislators' Immunity

PA0507160390 Panama City Circuito RPC Television in Spanish 2300 GMT 27 Jun 90

[Text] The Office of the Attorney General of the Republic has asked the Legislative Assembly to lift the immunity of Legislators Balbina Herrera de Perinan, Elias Castillo, and Alberto Aleman Boyd [of the Democratic Revolutionary Party].

Legislator Perinan is reportedly involved in the events that led to the death of Armando Moran Nunez, a Panamanian citizen, and the wounding of Francisco Morales Cerrud during a demonstration of the National Civic Crusade near the Santa Clara neighborhood, on the highway to the Tocumen Airport.

The Office of the Attorney General also requested lifting the parliamentary immunity of Legislator Elias Castillo, who has a case pending in that office. The Legislative Assembly will review the material sent by the Office of the Attorney General. Circuito RPC Television has learned that if there are legal cases against the two other legislators, their immunity will be lifted. The assembly will then have to authorize their trial by the Supreme Court of Justice, once their parliamentary immunity is lifted.

Raul Ossa, the chairman of the Credentials Commission, reported that the Office of the Attorney General of the Republic requested the Legislative Assembly lift the parliamentary immunity of Alberto Aleman and Balbina Herrera de Perinan.

[Begin Ossa recording] At 2240 last night, the Credentials Commission received two dossiers and letters that were sent by the attorney general of the nation. The first

dossier is on Legislator Alberto Aleman Boyd, for the alleged illegal possession of Electoral Tribunal rubber stamps in his private office. The dossier calls for investigating if this action merits lifting his immunity.

The other case concerns the investigations of the death of Armando Moran Nunez, and Legislator Balbina Herrera de Perinan is reportedly involved in this case. The dossier calls for investigating if there are reasons for lifting her immunity.

Immediately we convoked the Credentials Commission to meet today for a preliminary discussion. It is up to the Credentials Commission to issue a decision and then bring it up to the full assembly, which will adopt the necessary decision.

We must evaluate these things. We have observered that these documents have been sent as the legislative period draws to an end. This legislative period ends on 30 June, and these documents have been sent just four days from the closing date. We are right now discussing the constitutional amendments, and we are in the rush that is typical of the last days of the legislative period. This will entail certain difficulties for us. We are surprised this was done in a such a manner, and not earlier.

Nonetheless, we are doing everything possible so that we will issue a decision according to the law. [end recording]

Argentina

Brazilian President Arrives in Buenos Aires

PY0507174090 Buenos Aires TELAM in Spanish 1619 GMT 5 Jul 90

[Text] Buenos Aires, 5 Jul (TELAM)—Accompanied by several members of his Cabinet, President Carlos Menem today welcomed Brazilian President Fernando Collor de Mello, who arrived at the "Jorge Newbery" metropolitan airport at 1308 on board a Brazilian Air Force airplane.

Defense Minister Speaks on Antidrug Struggle

PY0607135790 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2210 GMT 4 Jul 90

[Text] Buenos Aires, 4 Jul (NA)—Defense Minister Humberto Romero today confirmed that the border police and the prefectures are in charge of the antidrug struggle. He said that the arrests of drug traffickers "have increased fivefold" over last year.

Asked whether the Armed Forces will directly participate in the antidrug struggle, Romero said: "It has not yet been confirmed." He also pointed out the efficient performance of the border police and the prefectures.

Romero today attended a ceremony in which President Carlos Menem inaugurated the work at Puerto Madero. Also attending the ceremony were Buenos Aires Mayor Carlos Grosso, Public Works and Service Minister Roberto Drommi, and Antonio Troiano, government-appointed trustee of the Ports General Administration.

Romero said that he met with Vice President Eduardo Duhalde and Foreign Minister Domingo Cavallo yesterday, "to analyze various aspects of the antidrug struggle and the agreements reached with other countries to fight this scourge."

Regarding the 9 July parade, he said: "It is difficult to accept criticism, because after many years Argentina will appropriately celebrate its national day."

Romero said: "In Argentina we have to start thinking in terms of a great nation, and to appropriately celebrate our national day in which Armed Forces personnel as well as members of the rural and education sectors will parade.

Colonel Seineldin Denies Ties to Marxism

PY0407220090 Buenos Aires DYN in Spanish 1226 GMT 4 Jul 90

[Text] Buenos Aires, 4 Jul (DYN)—Colonel Mohamed Ali Seineldin, retired, has denied any involvement with Marxism, and has warned about the danger that in the process of privatization, "we will end up replacing one monopoly with another." He added that Zulema Yoma de Menem "is an honorable person, worried about her husband and children," and "we must respect her intimacy."

Seineldin, who headed the Army group known as "the blackened faces" which, at Villa Martelli in December 1988, fought against civilian power, made these remarks to the new periodical UNICA EDICION issued in this capital.

Seineldin said that "the fatherland's enemies seek division of the Army." Regarding his participation in the struggle against drug trafficking, he said: "The specific missions of the forces must not be discredited, nor the role they play in safeguarding the country's internal security as provided for by current law."

He denied reports that he had met with Montoneros leaders Fernando Vaca Narvaja and Norberto Perdia because he does not accept "unity with Marxism." He added that "social instability is hitting us like a hurricane."

When asked about his role as a "fundamentalist," he answered: "The opposition is trying to attack us for our religious beliefs in an effort to create the false idea that religion is an extreme ideology."

Rules Out Political Career

PY0607021190 Buenos Aires BUENOS AIRES HERALD in English 5 July 90 p 11

[Text] (NA-DYN)—Retired Colonel Mohamed Ali Seineldin ruled out all possibility of his embarking on a career in politics or presenting himself for a government post, and expressed his fears on the chances that the Justicialist administration's privatization scheme "could end up replacing one monopoly with another against the interests of all Argentines."

Seineldin issued these statements during an interview published in the first number of the newspaper ULTIMA EDICION, where he stated that while he was detained at the Palermo Army unit for leading a revolt against the democratic government in 1988, he received the visit of "some 20,000 people and through their opinion I could realize that what most worries the Argentine population is the loss of the moral and material quality of life, hunger, unemployment and the feeling of insecurity."

Seineldin pointed out that every time the Armed Forces carried out a coup d'etat against an elected government, "there was a civilian faction opposed to the government which promoted the coup." He stressed that the current national economic crisis "is a consequence of a profound moral decay which affects all citizens and which nobody can escape."

The cashiered officer counterattacked "those who accuse me of being a fundamentalist," describing them as "highly ideologized sectors who are not prepared to understand that in the relations between men what matters are values, not ideologies."

Finally, Seineldin considered that President Carlos Menem's wife Zulema Yoma—whom the head of state ordered out of the presidential residence last month—"is an honourable person, worried about her husband and children, and we must respect her intimacy." Seineldin denied having had any contact with Montonero leaders Fernando Vaca Narvaja and Roberto Perdia, emphasizing that "the fact that I want national unity does not mean that I accept unity with Marxism."

Bolivia

'Formal Protest' of U.S. Tin Sale Announced

PY0507162390 La Paz La Red Panamericana in Spanish 0000 GMT 5 Jul 90

[Text] The Bolivian ambassador in Washington has begun talks with the U.S. State Department to present a formal protest of the U.S. decision to sell 7,000 tons of tin on the international market.

This was reported by Foreign Minister Carlos Iturralde in a news conference held during the afternoon of 4 July. The minister said that the stockpile [preceding word in English] office, which depends on the U.S. Department of Defense, has reported that it has been authorized to sell 7,000 tons of tin, although the total amount will not be sold before September.

By order of the Bolivian Government, however, the Bolivian Embassy began talks in Washington to call to the U.S. Government's attention the negative consequences that the U.S. decision could have on the Bolivian economy. Minister Iturralde said that the ambassador must insist to the U.S. Government that the sale of its strategic tin reserves could result in Bolivia having to close down several mining companies and, consequently, thousands of workers losing their jobs.

[Begin Iturralde recording, in progress] ...show that the sale of 7,000 tons of tin will take into consideration the stability of the world tin industry. The sale will be carried out according to the prices in Kuala Lumpur or on the London Metal Exchange [four preceding words in English]. We will follow this problem closely because it is a vital issue for Bolivia. [end recording]

The foreign minister said that the drop in tin prices is due not only to the U.S. decision to sell its tin reserves but also to the smuggling of tin by Brazil and the PRC, who are not members of the Association of Tin-Producing Countries, APPE. These two countries have allegedly reported that they would sell a certain amount of tin on the international market, thus affecting prices.

The foreign minister added that the problem of tin smuggling from Brazil and its passage through Peru and Bolivia is hard to control. This is another factor that affects international tin prices.

Foreign Minister on Arica Region, River Study

PY0507120090 La Paz Television Boliviana Network in Spanish 0030 GMT 5 Jul 90

[Text] In a news conference this afternoon, the foreign minister gave a special report on Bolivian relations with Chile and on the Lauca River.

[Begin Iturralde recording] Bolivia has always held international talks with all countries of the world, particularly with neighboring countries. International talks, however, do not necessarily mean negotiations through diplomatic channels. First, we must point out the initiative for the creation of a corporation for development which would be responsible for the implementation of a development program in the Arica Region area. Officials from the Arica Region have already proposed the creation of this corporation to the Chilean Government. Second, considering that regional authorities made this proposal to the Chilean Government, it is obvious that there is no reason for the Bolivian Foreign Ministry to make any comment on the issue. [end recording]

Regarding the Lauca River, the foreign minister said:

[Begin Iturralde recording] An interinstitutional committee of experts in hydrology, geology, and ecology has been formed. These experts are members of the Naval Hydrology Service, the National Hydrology and Meteorology Service, and the Hydraulics and Hydrology Institute of the Greater San Andres University. The members of this committee, which will be coordinated by the Foreign Ministry's International Waters General Directorate, have already inspected the (?Ito Beite) border region and the Sajama River basin and charted hydrological, hydrochemical, and ecological data on the region. [end recording]

Bank Group President on Economic 'Dollarization'

PY0307162090 La Paz EL DIARIO in Spanish 20 Jun 90 p 3

[Excerpt] Sucre, 19 Jun (EL DIARIO)—Expressing his concern over the dollarization of the Bolivian economy, Fernando Calvo, president of the Bolivian Banks Association [Asoban], has reported that 86.7 percent of deposits are in dollars, a currency over which the Bolivian Government has no control, and that only the remaining 13.3 percent are in Bolivian pesos, which means that "the market is running out of Bolivian pesos."

Speaking in Chuquisaca at a roundtable on problems for private enterprises and their short- and medium-term prospects, Calvo said that since the new economic policy was implemented through Decree 21060 in 1985, deposits in dollars have risen from $20 million to $701 million. He pointed out the active participation of private banks in increasing investment capital in dollars from $45 million when the decree was promulgated to $101 million today.

Pointing out that the private banking system has granted $930 million in credit since 1985, the Asoban president said: "This is in response to the unwarranted charge that private banks do not play a role in national development." [passage omitted]

Half-Year Inflation Rate Totals 4.25 Percent

PY0307134690 La Paz La Red Panamericana in Spanish 1230 GMT 3 Jul 90

[Text] According to official reports, Bolivia's accumulated inflation rate for the first half of this year totaled

4.25 percent. The inflation rate for June was 2.01 percent, the highest of the year, due to the 25-percent fuel price increase decreed last 14 June.

The Bolivian Government wants to finish the year with an inflation rate lower than 10 percent, in keeping with its commitments to international financial institutions. Bolivia's inflation rate was 15.5 percent in 1989, 21.5 percent in 1988, and 10.5 percent in 1987.

Brazil

Collor Departs for Visit to Argentina

PY0507170590 Buenos Aires DYN in Spanish 1356 GMT 5 Jul 90

[Text] Brasilia, 5 Jul (AFP)—Brazilian President Fernando Collor de Mello left for Buenos Aires today at 1000 local time (1300 GMT) for a two-day official visit to Argentina. Collor de Mello is traveling with Economy Minister Zelia Cardoso de Mello, Foreign Minister Francisco Rezek, and Government Secretary General Marcos Coimbra.

Brazilian diplomatic sources have reported that during these meetings Collor de Mello and Menem will sign agreements aimed at creating a common market between the two countries through 1994 by eliminating tariffs until the end of their respective presidential terms.

* Collor Decisionmaking Process Explored

90SM0137A Sao Paulo VEJA in Portuguese 25 Apr 90 pp 20-27

[Text] Every day, at 0900, a well-dressed public official, generally wearing a dark three-piece suit and a silk tie, has a quick breakfast in Brasilia—a glass of fruit juice, cottage cheese, jam and rolls—and leaves for work. In difficult times for civil servants, who have lost the privilege of free bus transportation in Brasilia, he is in a good position as far as transportation goes, since he travels the five km between his home and office on the third floor of Palacio do Planalto by helicopter. In less than three minutes, at exactly 0900, he is sitting in a room that would not be the envy of most of the executives on Avenida Paulista, the financial and business center of Sao Paulo. He has a large table, three chairs for guests and an Edisa micro-computer, made in Brazil, in which he stores data on the economy and a list of his most senior officials. There are also objects which give a familiar touch to the working atmosphere, such as a statue of Our Lady of Conception, which he always kisses before leaving his office at the end of the day, and a picture of his children on top of a pile of international publications on a shelf.

Since the economic package produced by the new government on 16 March was virtually approved by the National Congress, the country has begun to focus its attention on the activities of this official—President Fernando Collor de Mello. Now it is up to him—much more than Economy Minister Zelia Cardoso de Mello, or his hydraulic engineer, Ibrahim Eris, who, as president of the Central Bank, is in charge of calibrating the famous faucets of liquidity—to administer the economic package on a day-to-day basis. After barely one month in office, Collor has already made it clear how he goes about making decisions. He is quick, objective at working meetings, and prefers to act in the heat of the moment, even if he has to modify his decision later, as problems accumulate. With this style, Collor has restored to Planalto a certain authority, which had been gradually weakened during Jose Sarney's administration, and he has garnered a great deal of popularity as well.

Obviously, his popularity will only continue at this level if the Collor Plan produces good results: there is no firm control or image of dynamism that can survive galloping inflation or a deep recession. Just as the popularity of Collor and his package—which is approved by almost 70 percent of the people according to the latest survey—are not based only on his way of exerting authority, his style of government was also not designed only to win applause. In making decisions, the president's temperament and personality come into play. The following aspects of his personality have been demonstrated in the one month he has been in office:

- The president goes directly to the heart of the issue. He does not enjoy idle chatter; he is extremely formal and has no sense of humor when he is in his office—he only relaxes at Dinda House, the official residence. His working meetings last no longer than 30 minutes. He listens attentively to everyone and when he is meeting with two people he usually asks the second one what he thinks of the opinion of the first. Despite this, he always makes his decisions alone. "He is not the sort of man to have a guru," says the president's brother, Leopoldo Collor de Mello. "He listens to his advisers, but he follows his own intuition."
- Collor always analyzes things in terms of cost and benefit, even on matters of secondary importance, such as the trip from Dinda House to Palacio do Planalto. At the start of his term, he did some calculations and concluded that during his five-year term, he would spend 1,200 hours, or the equivalent of 50 days, in his car going from his residence to Planalto. So he decided to make the trip by helicopter, which would mean spending only four days in travel time in five years.
- Collor makes decisions rapidly, risking error. He had 15 days in which to consider the vetoes he wanted to cast on the congressional amendments to the provisional measures passed two weeks earlier, and he vetoed them in less than 24 hours. Last week, however, he had to republish one of the measures which had been vetoed by mistake. Contrary to the customary practice of the previous administration, the president likes to receive the goods before paying for them on credit. He did not make an appointment suggested by legislators to obtain votes in Congress. The package was approved, and the appointments he

made had nothing to do with it—regardless of whether Congress voted on the vetoes first.

- Collor is a centralizer and he is rigorous in his demands on his ministers. Within the administration, he is always the one with the last word—it is rare for a minister to make a public statement, and much less an important decision, without consulting with him first.
- He is obsessed with his public image, which is why he regularly appears in public engaging in various sports. To gauge his support, he primarily uses public opinion surveys. He did not decide to produce the package until a survey showed that the majority of the population wanted profound changes in the economy and was willing to make sacrifices.

"Brazil has never had a president who has been as active as Collor," according to political scientist Bolivar Lamounier. "He draws his power from the desire in the country to bring about change, and he always needs to be doing something." Brazilians have gotten used to different styles in the Palacio do Planalto with recent administrations. In the decade of the 70s, President Emilio Medici delegated virtually all his power to ministers—enabling both Delfim Netto to bring about the "economic miracle" and Army officers to spend their time torturing enemies of the regime. Ernesto Geisel listened to a number of advisers and commissioned studies before making any decision. Once he made a decision, it was irreversible. Joao Figueiredo only listened to the advice of his friends, the group known as the group of nine, a team of advisers which met in his office at 0900, but which gradually became disinterested in government matters and began saying contradictory things, and finally left the boat rudderless. Former President Sarney made the decision, making the process a torturous one; he listened to persons in all the parties, friends, and relatives, and in the end went along with the opinion of the last person consulted.

Misgovernment

As a leader, there is nothing torturous about Collor. When he makes an appointment, he meets with the visitor in the presence of the ministers involved in the area, listens to his arguments, consults with the ministers or advisers, and generally decides on the spot, in front of everyone. Recently, for instance, the president of the Metal Workers Federation, Luiz Antonio de Medeiros, called the president on a Saturday, without knowing whether his call would be answered, to ask for changes in the Collor Plan to facilitate payment of wages by businesses. The president answered, scheduled a meeting for the following day, and convened Minister Zelia, Labor Minister Antonio Rogerio Magri, and his office manager, Marcos Coimbra. He listened to the arguments of the union leader, who first asked for funds to be released so that the companies could meet their payrolls, and then asked that savings deposits be released, particularly in the case of retired workers. Collor said that the first request had been met already by a line of credit for businesses, that the second one would be impossible to grant, and that the third suggestion was a good one. He asked Zelia for her opinion, and she agreed. Collor immediately decided to release savings for retired workers.

"There is no better person for the job," according to Health Minister Alceni Guerra. "I go to him with problems and indicate the alternatives, and the president talks it over and decides. Then, he dates and signs the orders." Last week, after receiving a phone call from the mayor of Sao Paulo, Luiza Erundina, Alceni suggested to Collor that a hospital in Inamps be transferred to the municipality of Sao Paulo. Shut down because of a lack of resources, it would be administered jointly with the municipality, revamped and reopened within a short time—a simple solution, but one which the mayor had proposed to no avail to the previous administration for over five months. Collor scheduled the transfer to take place the next day. "The only condition is that the transfer ceremony take place here at the Palacio," Collor told Alceni. The president wanted to have the mayor from the PT [Workers Party] at his side in Planalto to demonstrate that he is a statesman and that he does not hold any grudges from the campaign. In a way, this move may seem Machiavellian on his part, as it implies subjecting a mayor from an archenemy party to his own designs. In this case, however, this attitude is part of the temperament of Collor, who follows Machiavelli but is not Machiavellian.

In making speedy decisions, Collor does not allow the vices of power to come into play, but he did slip up because he moved too fast on one critical issue—administration of the package. Right before the provisional measures of the economic package were to be published, for instance, Collor fired a rapid shot and signed provisional measures 153 and 156, authorizing prison sentences and fines for enemies of the plan, before consulting with the justice minister as to their constitutionality. At a meeting on the Monday before he took office, he asked Zelia what would upset the plan, and her reply was immediate. "A boycott by business leaders," she retorted. Measures 153 and 156 were subsequently drafted by an economist, Luis Eduardo Assis, director of the Central Bank—with the commitment that Cabral would be consulted later—and, to speed everything up, Collor signed on trust. When Cabral received the measures for his review, he took them as something already adopted; he was advised as to their unconstitutionality, but did not attempt to persuade the president to withdraw them. The result was that there was an outcry against prison terms by owners of supermarkets, by officials of Folha de Sao Paulo, and copies of a book on tax havens were seized. Also in haste, the president reversed his position on the measures and shelved them. "I do not want unnecessary disputes with Congress," Collor said.

The impact of Collor's second blunder in making a precipitous decision was felt last week. After passing the most important provisional measure in the package, the one appropriating the public money deposited up to 15

March, Collor began a hasty examination of the document that had been shuffled around by the legislators. Labor Minister Magri, preoccupied by a congressional amendment which raised minimum wage adjustments and thereby increased the social security expenditures with payments to pensioners and retired persons, decided to recommend a veto against this provision, which had been worked out by an agreement between the parties and the administration's own representatives. Minister Zelia advised that the change should be kept, and, at the time of ratification, Collor signed Magri's proposal. Last Tuesday, the administration was forced to publish a correction to the measure in the Official Gazette, maintaining the increase in the minimum wage which had been approved jointly by government leaders and Congress; this was the second serious about-face in less than one month in office.

The president sometimes makes sudden decisions on pure instinct. Last week, with 10 minutes remaining, he called off a trip to Nicaragua to attend the inauguration ceremony of President Violeta Chamorro, after learning that no important heads of state would be there, beginning with U.S. President George Bush. The same sort of decision was made on a much more important issue, the appointment of Agriculture Minister Antonio Cabrera. Only 29 years of age, and with no party ties, Cabrera had seen Collor three times in his life—twice because he organized rallies for him in his region, Sao Jose do Rio Preto, in the interior of Sao Paulo, and a third time in the reception line on the day of his inauguration in Brasilia. On the eve of his appointment on a Thursday, Cabrera went to the capital in an attempt to talk with the president about the problem of payments for migrant laborers in Rio Preto and in the west central region, where his family also had property. He was directed to the Justice Minister Bernardo Cabral, who was in charge of Agriculture, since Francisco Roriz, who had held the post, had resigned that day.

On Friday, at the end of the day, Cabrera managed to speak with Collor at Planalto. "Hey Tony," the president said to him, "how are things?" Cabrera spoke with him for a few minutes, explained the problem that he was concerned about and then drew back. Collor then began a second conversation with his brother Leopoldo, Ambassador Marcos Coimbra, and State Deputy Cleto Falcao, his friend from Alagoas, who were also in his office. A short time later, Leopoldo approached him and said: "You are going to be the new minister of agriculture." Cabrera did not understand. "What, the minister? But I am only 29 years old, the president needs credibility to get all these measures through Congress, and I think that he needs a name that carries some weight." There was no time for discussion. Before Leopoldo could say anything, Collor again approached him and invited him to go outside Planalto with him, and he only received the official invitation from the president himself after the news of his appointment had already been announced in the JORNAL NACIONAL.

Three Packages

In making decisions based on proposals by his advisers, the president as a rule chooses the most radical and least expected solutions. Three weeks ago, for instance, when he attended the birthday party of Luciana, the wife of his Information Secretary Pedro Paulo Leoni Ramos, the president revealed that before taking office, he had three alternatives for the economic package. One of them, less radical, would have involved a more prolonged recession, the second was more extreme, but entailed a shorter recession, and the third was the worst, but with a rapid recession. He opted for the third alternative only 48 hours before taking office. On delicate matters such as the appointment of the military ministers, Collor heard the views of the ministers in Sarney's administration, but he actually decided on their successors after consulting a 70-page report which a journalist from Brasilia who specialized in the area was asked to draw up and which recommended the names of the ministers who were later selected as those who would create the fewest problems—they were young, respected by the troops, and had no marks against them for participating in repressive agencies under the dictatorship. It was not until later that Collor learned that two of them—Minister Tinoco Gomes of the Army and Cesar Flores of the Navy—were also chosen by his adversary Luis Inacio Lula da Silva.

In a centralized government such as Collor's, it is virtually impossible to tell what minister has what power. At best you can say who are the ones the president listens to most closely, whose suggestions he takes into consideration, or who are those with the greatest number of proposals approved by the president. Collor listens to Minister Zelia Cardoso de Mello, for example, but he also has high regard for some of the economists working with her, such as Ibrahim Eris, whom he referred to as "a genius" in a conversation with a friend, and Antonio Kandir, secretary of economic policy, responsible for designing the economic package. There are also various ministers and aides whose stars have lost their brilliance in a short period of time. The people who can go into his office without a scheduled appointment can be counted on the fingers of one's hand.

Collor's work begins with a meeting at 0900 sharp with Ambassador Marcos Coimbra, his brother-in-law and office manager, general consultant Celio Silva, Information Secretary Leoni Ramos, Justice Minister Bernardo Cabral, and head of the Military Office, General Agenor de Carvalho. The president religiously makes 10 appointments a day. Instead of meetings, he prefers to do business on his red telephone which provides him with a direct line to the ministers—and he likes to have them answer before the second ring. He makes more than 50 calls of this sort a day. In these calls, he tries to have telegraphic conversations, generally giving quick orders and asking clear and direct questions, such as in the short phone conversation with administration secretary Joao Santana last week. "I am calling to inform you that I have authorized Alceni to create three posts in the

Health Ministry. Do you have any problems?" the president asked. "Everything is fine," the secretary answered. Collor then hung up the phone, dated and signed the order creating the new posts, taking care to make a note on the margin: "Consulted with Administration Secretary Joao Santana."

Janio

Collor is also in the habit of transmitting orders by means of an instrument popularized by former president Janio Quadros—notes. He writes recommendations to his aides, sometimes embellished with philosophical images. He likes authority and austerity, and expects the same of his closer colleagues. In general, even the ministers are used to talking in low voices in his presence, and he frequently does not hesitate to reprimand them. Even so, he addresses them formally.

Collor has already pulled the ears of Economy Minister Zeila Cardoso de Mello, after watching one of her televised interviews on the day after the announcement of the economic package. He told Zelia that she made too many references to the economic package in the first person, as "my plan." "The plan does not belong to anyone, it is Brazil's plan," the president told Zelia. "That was not my intention," the minister apologized. Two weeks ago, the minister of social action, Margarida Procopio, was reprimanded for suggesting to Rosane Collor that the Brazilian Assistance Organization (LBA) be moved from her office in the same building. She said that in another location, the LBA would have more room. But Margarida was actually jealous of Rosane's presence. "The politicians are only going up as far as the 6th floor," complained Margarida, whose office was on the floor above the president's wife. Collor asked about the matter and pointed out to Margarida: "Do not forget that more important than her post as president of the LBA, Rosane is the first lady."

After assuming the presidency, Collor greeted strangers with a firm handshake, with his arm extended—thereby preventing any impolite guests from attempting to embrace him. He increased his esteem for people who changed their behavior toward him, no longer calling him "Fernando" and using the familiar "you" but instead referring to him as "president" and using the formal "you." He also divested himself of any obligation to deal with friends and people who had helped him, even those who backed him financially in the electoral campaign, such as business leaders Pedro Irujo and Sergio Quintella. Irujo, whom he used to speak with four times a day, is now content with leaving messages for him with Minister Bernardo Cabral. Quintella has not seen him personally since last December, before he took office. "The top Brazilian business leaders had in recent times acquired the habit of calling the president in Brasilia in the evening, to advise him that they would be coming to his official residence the next day to have coffee with him in the morning," Irujo said. "With Collor, this is no longer possible."

Among the things that irritate the president is the impression that he can be patronized or won over by favors. Two weeks ago, he gave an indication of this to business executive Georges Gazale, a frequent visitor at Planalto during Figueiredo's administration and known in business circles as a master of the art of attracting the powerful. At a luncheon in Brasilia, Gazale presented Collor with a gold pen and asked for an autograph for a grandson. The president listened to him and immediately tried to give back the pen. "No, Mr. President, I want you to keep that as a gift," the businessman said. "No thank you," Collor answered. According to Gazale, Collor politely refused the gift. According to other witnesses, when Gazale insisted, the president became gruff—and said that he was going to drop the pen on the ground if Gazale would not take it.

Physiology

One of the areas in which the president has been the most careful when it comes to dealing with friends is in distributing government posts. He decided that he would distribute them in accordance with the recommendations of the politicians who supported him, but with the proviso that any official appointed who should not prove to be competent would be dismissed—and his sponsor would not set foot in his office again. "I will accept suggestions, but the person has to be honest and competent," Collor said last week to Renan Calheiros, the PRN [National Reconstruction Party] leader of the House. In the ranks of the parties that supported Collor by voting on the package, agitation surrounding the names for the second round of appointments was great after approval of the package. The PFL [Liberal Front Party] leader of the House, Ricardo Fiuza, a principal ally of Planalto who a few months ago caused irritation on the part of his colleagues in the party who were anxious over the distribution of the second echelon posts, requested a meeting with the president last week to suggest the appointment of a protege of Deputy Osvaldo Coelho as head of EMBRAPA [Brazilian Agriculture and Livestock Research Enterprise]—and he continued to be in hot water. "Ask the deputy to make a list, but I am only going to begin making appointments after the vetoes are approved," Collor advised.

When the administration took office, the suspicion arose that one of the problems Collor would encounter in governing would be family interference. In the area of government decisions, Collor managed to keep his relatives out of it. But this policy was not followed with regard to appointments. Recently, the names of relatives and friends of the president and ministers introduced or promoted in the government abound, but the numbers are still far from being comparable to the Sarney administration. They are, however, becoming uncomfortable for an administration which began as a fighter of nepotism and special treatment for friends.

Collor's ethics, however, follow very specific standards. One of the conditions he imposes on all his subordinates, whether they are ministers, friends, or relatives, is

secrecy. Few people aside from the president know what he is going to do—and, when they do know, keeping that secret is a sign of their loyalty. Before taking office, Collor subjected ministers to true tests of their loyalty. One of them was advised that he would be appointed minister in four days, but Collor devised a plan so that it was clear that if the selection was leaked to the press, only the future minister could be the one to have let the secret out. There was an implicit warning that if he should disclose it, the appointment could be canceled.

Manias

Maintaining secrecy is part of the president's strategy of generating attention-getting events which, he believes, the people like—such as his many sports activities on the weekends. In making decisions, Collor also has the habit of consulting public opinion polls, mainly to see how he should cultivate his public image. Last Tuesday, at a luncheon with Carlos Augusto Montenegro, president of IBOPE [Brazilian Public Opinion and Statistics Institute], Collor received the initial results of a new survey on the upcoming state elections. He read Montenegro's report attentively, making an effort not to have his face show what he thought of the data, and he only indicated his pleasure at one number—which gave about 70 percent of the votes to Renan Calheiros as the candidate to govern Alagoas. He wanted to know which candidates had a chance of winning the elections before deciding whom he would support in October. He does not want to jeopardize his image as a winner with somebody who is not doing well in the polls.

The president's sports ventures are among the main pillars of his image. In these matters, he consults with Alagoan deputy Cleto Falcao, a personal friend, but he generally has his own ideas. There is the incident of the trip he planned from Brasilia to Rio de Janeiro on board an Army F5 fighter plane one Sunday. As far as safety is concerned, the risk is calculated. Of the 45 planes of this type that Brazil has had since 1975, 14 have had accidents, and seven of these crashed in solo flight. Collor is concerned with safety—but he is more interested in the effect on the public of dangerous appearances, such as piloting a jet-ski on Paranoa Lake, racing at over 130 km an hour in a Ninja motorcycle, or flying over Dinda House in a glider plane. One day before his flight, the president called his friend, Jean Loui da Fonseca, director of the Glider Club of Brasilia, who gave him a ride in the aircraft. "Jean, I am thinking about going for a glider ride. Is it safe?" the president wanted to know. "If it were not safe, I would tell you," Jean Fonseca answered. "If it were not completely safe, I would arrange something else to do," Collor added.

President Fernando Collor de Mello's governing style is a mixture of objectivity, quickness, efficiency, and instinct—all of this wrapped up in an enormous concern over his image, based on public opinion polls. And he is being successful. Collor managed to restore the principle of authority, which is good for everyone, even for the military. Unlike President Sarney, who liked to pose next to military leaders when he was having problems with Congress and who gave them free rein to make suggestions on the economy, Collor maintains a low profile in military circles and at best participates in protocolary ceremonies, such as the promotion of officers which took place at the Palacio last Wednesday. The president's concern over his image is so great that it leads him to stage scenes such as the one last Friday when he walked down the ramp of Palacio do Planalto. Appearances of this sort were abandoned by President Jose Sarney when he decided it was better to avoid them than to run the risk of being hit by eggs, tomatoes, or other flying edibles. On Friday [20 April], Collor managed to attract about 1,000 people to the ceremony, on an occasion made festive with dancing, with marches, and sambas played by the Dragon Band—and he had enough confidence to follow his impulsiveness and go into the midst of the crowd, leaving his advisers with their hair standing on end.

* Informal Economy Flourishes Under Collor Plan

90SM0128A Sao Paulo EXAME in Portuguese 16 May 90 pp 78-81

[Article by Wilson Marini in Ibatinga, Jose Maria Furtado in Santa Cruz do Capibaribe, and Rubeny Goulart in Villar dos Telles: "Informal Entrepreneurs Are Celebrating in Interior"—first paragraph is EXAME introduction; boxed material as indicated]

[Text] In cities where the underground economy is predominant, what is surprising is that sales are increasing and there is no unemployment, despite the end of anonymity. On 15 March, when President Fernando Collor took office, one special kind of entrepreneur thought he or she would have the sort of struggle experienced by someone in the middle of the jungle who—threatened by the lion—risks his life with every step he attempts to take. The roar of the beast was likely to echo strongly in the direction of those who produce without providing a tax receipt, registering their employees, or collecting any taxes—in other words, the owners of the informal enterprises. But in many of the regions where the informal economy predominates, and contrary to what might have been expected when the Collor Plan entered the picture and decreed an end to anonymity in commercial transactions, business continues to be very good, thank you. That is the case in Santa Cruz do Capibaribe, Pernambuco State, a city of 50,000 where there are approximately 20,000 sewing machines producing inexpensive clothing day and night. There, almost no one carries a registration card in his or her wallet, but on the other hand no one worries about the so-called specter of recession. "The plan was very good for us," says Jussara Marques Ramos, one of the thousands of informal seamstresses in the city. The same optimistic picture is corroborated in other parts of the country where the informal enterprises function as the mainstay of the local economy. "The customers have started buying three times as much," says Nedir Tassis Pires, proprietor of one of the largest embroidery shops

in Ibatinga, in the interior of Sao Paulo State, a city famous for this product. The atmosphere is also one of celebration in Villar dos Telles, in Rio de Janeiro State, with the increase in sales of slacks, shirts, and other garments manufactured behind closed doors. "I have never seen such activity before," says Gilberto da Silva, who gave up street vending of novelties in Rio in order to manufacture costume jewelry informally in Villar dos Telles.

Work Done in Silence

There are two explanations for the growth of business in these cities. The first is that the promised intensification of inspection—which would force the informal entrepreneurs out of their hiding places—has still not occurred. The second is that in all of these cities, the products manufactured are destined for low-income consumers whose money is not frozen in the "overnight" deposit accounts and who continue to receive their wages normally, although faced with the possibility of unemployment in the future. These are the people who are buying more food, inexpensive electric appliances, and non-designer clothes that are sold in the outskirts of the large cities or even from door to door by female peddlers who extend the cycle of the underground economy to the final consumer. In Santa Cruz do Capibaribe, for example, almost 400 buses from all of Northeastern and Southern Brazil continue to circulate through the city twice a week carrying buyers for slacks at 250 cruzeiros or shirts at 200 cruzeiros. Only a small portion of these visitors are buying clothing for their own use. "The great majority come here to buy for resale," says Mayor Ernani Silvestre, himself the owner of a legalized shop that manufactures knitwear. Business improved substantially for the informal entrepreneurs of Capibaribe (known locally as "sulanqueiros") following enactment of the Collor Plan, and as a result they are investing in production. Marcos Feitosa, owner of one of the four local firms that sell sewing machines at retail, filled 60 orders in April compared to an average of 35 per month before March. The barter system helps to increase business. "We are willing to trade sewing machines for cows or for anything that has commercial value," Feitosa says. The informal entrepreneurs of Capibaribe are also investing in the legalization of their businesses, and so far 44 firms have already applied for registration. ICM [Merchandise Distribution Tax] collections were up from a total of 387,000 cruzeiros in March to 600,000 in April. "Sales made without tax receipts are declining in number," says the chief of the tax office, Joenilce Silveira. What you hear advertised most often by the mobile sound trucks that circulate in Capibaribe are job offers for seamstresses and advertisements for the services of public accountants; even so, 80 percent of the 6,000 microenterprises continue to work in silence, as they have done for four decades.

Morning Coffee

Ibitinga, in the central region of the state of Sao Paulo, is another example of the success of informal labor, despite the limitations imposed by the new government. In April, 153 new enterprises were created in the city—or rather, left their hiding places, encouraged by the sale of their embroidered bed, table, and bath linens. "Our sales have never been so good," says microentrepreneur Nedir Pires. He does not give out any figures but does provide clues as to his sales of sheets and towels made by embroideresses and seamstresses who work in their own homes. "I sell as much as Ducal, on 12 de Outubro Street in Lapa, Sao Paulo," he says, with the authority of someone who is the former manager of that Sao Paulo store and left his job four years ago to sell embroidery in Ibatinga. The difference between the two cases is that the clothing and shoe store in Lapa occupies 1,200 meters of floor space, has 50 employees, and provides tax receipts, whereas entrepreneur Pires' Gugu Embroideries requires only 186 square meters and nine employees."There is a lot of paper money in the hands of the buyers," Pires says, thereby attesting to one of the defense mechanisms used by the informal economy against the siege strategy of the Collor Plan: payment made in cash, rather than by personal check. Business could be disrupted, however, by a shortage of the raw material—the cloth—which the manufacturers in Ibitinga fear will occur within the next two months. "What happens here is always the opposite of what happens in the national economy. When business is bad in the great urban centers, it is good in Ibitinga," said the president of the Commercial and Industrial Association, Nelson Pinheiro Machado, an economist who left his job in Sao Paulo to manage Ana Cristyna Embroideries, the only firm with a branch outside Ibitinga and one of the few firms that sell through outside retailers.

It is nevertheless not difficult to find Ibitinga embroideries distributed throughout the nation. The number of women peddlers who every month get their supplies directly at the source is estimated at 90,000. They board the buses at the Tiete Bus Terminal in Sao Paulo between 2300 hours and midnight, or pass through Ibitinga on their return from Foz do Iguacu, where they go to buy electronic equipment and perfume. For that reason the biggest transactions are concluded during the early morning hours. The shops open their doors at 0330 hours and serve, in between sales, a "morning coffee" consisting of milk, cookies, and country cheese. By the time the only two revenue agents operating in the city come on duty at 0800 hours, the 2,000 enterprises—half of them without commercial registration—have already sold enough to make their day a success, and many of them—especially the informal enterprises—have already closed their doors again. At the end of each day, four million meters of textiles have left Ibitinga and 1.6 billion cruzeiros have come into the city.

A Business of Their Own

As in the case of the feared recession, the threat of unemployment has not reached these localities. "Here there is a labor shortage," says Cassia Bufelli, president of the union of employees of the handicrafts industry of Ibitinga. The picture is much the same in another

paradise of informality—the Villar dos Telles district of Sao Joao do Meriti, Rio de Janeiro—where there are 8,000 shopkeepers and manufacturers in the informal clothing business. Cecilia Silva de Simas, one of the thousands of seamstresses in Villar dos Telles, started her business in 1986 with two sewing machines and today—assisted by two children and 10 employees, of whom only five are registered—manufactures an average of 300 ensembles per week and is already able to buy something previously unimaginable: a house. "One customer whose orders had never exceeded 60,000 cruzeiros placed a 200,000 cruzeiro order all at one time," she says. The women peddlers are responsible for the bulk of the sales in all localities where the informal economy is strong—and serve as insurance that it will stay informal, because the peddlers neither give nor require a tax receipt. Their personal histories are all similar. Mrs Maria Almeida e Silva of Igarape, Greater Belo Horizonte, became a peddler after her husband—a truck driver—became ill and quit his job one year ago. In the last week of April she spent 1,500 cruzeiros for a ticket to Ibitinga on a chartered bus with 40 other peddlers and purchased 120,000 cruzeiros worth of goods wrapped in nine bundles and bearing no trade mark so as not to reveal the identity of the lawbreakers. On her return to Igarape she expects to sell the goods at a profit of from 40 to 50 percent, in time to cover the checks—postdated by as much as 90 days—that she distributed throughout Ibitinga. Pedro Lucinda Gomes made a similar decision and has not given a thought to any other way of making money since he left an executive position in a chain of stores in order to sell Ibitinga embroideries at retail in southern Minas Gerais. "I have achieved my dream of a business of my own," says Gomes, who sells the goods with the assistance of friends, hired employees, and a small fleet of automobiles. Jussara Marques Ramos, a microentrepreneur in Capibaribe, says that stable prices have had the effect of extending the time allowed for payment of bills and thereby stimulated business in the informal sector. Her business career began with a capital of 3,500 new cruzados in cash accumulated up to November 1989 in the guarantee fund at the Itau Bank. With the aid of a loan from her father, she bought two sewing machines and began to manufacture panties. Even before the Collor Plan she had doubled her production and rented an apartment for herself. "I'm going to buy two more sewing machines, and I'm getting ever nearer to realizing my dream of buying a car," she says. Jussara has no expenses in connection with selling her products. The 1,000 articles of clothing that she manufactures every week are delivered to three individuals who transmit them to Recife, Belem, and Sao Luis. "Everything we make is shipped out much more rapidly than before," she says. Shopkeeper Altemilton Cortez Leite, of Villar dos Telles, believes the end of the inflation and the drop in interest rates are the factors that made a new model of commercial relatioship possible, and that they will lead to the regularization of many of the enterprises. "Today we are able to buy and sell on time, and the money doesn't lose its value," he says. "This makes it easier to plan ahead." Leite is moreover one of the many who helped to develop the informal aspect of the local economy. He began in 1987 by selling a Fiat in order to open a garment factory. Today he has 10 employees, all of them registered, and says he is preparing himself for inspection despite the fact that he is keeping a part of his business illegal. "I'll straighten everything out then," he promises. "I'll never go informal again," he says, convinced that the times have changed.

The End Is in Sight

The question as to whether the case of entrepreneur Leite is an exception in the vast and fertile area of the informal economy—or whether it is the rule and thereby will lead to profound changes from now on in the profile of the economy run by microentrepreneurs and small businessmen—has begun to provoke controversy in the informal communities. In Ibitinga, Mayor Yashieo Sato, married to a microentrepreneur who makes embroideries, insists that the informal nature of the local economy is already suffering the effects of the blow that has been struck. "It won't be long," the mayor declares, "until those who do not go legal will no longer be able to work." Joao Paiva of Villar dos Telles, owner of the Galeria Alvorada—a kind of nonluxury shopping center that houses hundreds of small storekeepers in minuscule shops, believes that the local economy prospers precisely because it is informal. With a background of more than 30 years in the business, Paiva says that the city's commercial sucess is due to the dedication you find in enterprises that are created and grow as family businesses. "If it ceases to be informal, the economy of Villar dos Telles will die," he says. Entrepreneur Luiz Carlos Pereira of Capibaribe, a manufacturer of Bermuda jeans selling at 300 cruzeiros, has come to the same conclusion. "Here, operating underground means the survival of the population," he says. "If Internal Revenue cracks down on them, thousands of these people will simply disappear, because they do not sell enough to cover their costs plus the taxes." No less pessimistic with regard to the survival of the informal economy—although for different reasons—is Jairo de Andrade, president of the Microentrepreneurs Association of Vale dos Sinos, in the state of Rio Grande do Sul. The region produces approximately 100 million pairs of shoes per year, mostly for export. About one-fourth of them are made by unregistered workers. Terezinha Migmann, of Campo Bom, one of the eleven towns in Vale dos Sinos, is one example of how the crisis hit this sector with full force, contrary to what happened in the case of the garment sector. Until March she was producing 2,000 pairs of shoes per day, whereas orders do not exceed 500 per day at present. Here, there is no expectation that the formal economy will be strengthened in the region, as it has been in the cities where the garment industry predominates. "The tendency will be to increase the number of informal factories, among other reasons because it costs less," Jairo de Andrade says. "Everything has come to a standstill, and there are huge lines of unemployed persons applying for a single job opening." Estimates of the size of the informal

economy vary from 13 percent of the GDP, according to the IBGE [Brazilian Institute of Geography and Statistics], to 50 percent in the opinion of some economists. What is certain is that the temporary measure eliminating checks payable to the bearer in amounts exceeding 100 BTN's and abolishing bank confidentiality has forced owners of machine ships, dressmakers, and manufacturers who operate in the underground economy to reassess their situation because of the restrictions placed on anonymity. These undocumented entrepreneurs, who had previously been untouchable and had been praised as a positive example of the Brazilian aptitude for changing course in a crisis, must now decide whether to show their faces—with all the wrinkles and without makeup—or to remain informal and increase their precautions so as not to be easy prey for the Internal Revenue. Two months after the "lion" awakened, the informal entrepreneurs of the entire country have to their advantage the inadequacy of the inspection program. The number of revenue agents is always small by comparison with the need, and the enterprises—with their roots in fertile soil—make a practice of equipping themselves with disguises that do not become apparent. In cities such as Ibitinga, for example, where customers—with the complicity of the vendors—prefer to make their purchases in the early morning hours to avoid being seen, the task is even more difficult. "Because of the large number of informal enterprises," says entrepreneur Nelson Pinheiro Machado, "it will be impractical to hunt them down one by one."

[Box, p 79]

Ibitinga, Sao Paulo

The shops in the "Embroidery Capital" open in the early morning hours and offer "morning coffee" to the regular customers. Only a shortage of raw material could endanger the prosperous business of embroidering towels and sheets. "When conditions are bad in the big cities, they are good here," says entrepreneur Nelson Machado.

[Box, p 79]

Vale dos Sinos, Rio Grande do Sul

Entire families are involved in the manufacture of footwear. Children and the elderly work at home, without a signed identification booklet. Every year 100 million pairs are produced, mostly for export.

[Box, p 80]

Villar dos Telles, Rio de Janeiro

The 8,000 shopkeepers and owners of small factories making inexpensive clothing do not want to hear any talk about providing tax receipts or registering their employees. Altemilton Leite began that way. He sold a Fiat, bought a sewing machine, and has confidence in his future. "Informal, never again," he says.

[Box, p 81]

Capibaribe, Pernambuco

There are jobs for everyone. Jussara Marques, a former bank employee, is making plans to increase her production of panties. "I'm going to buy two more sewing machines and then a new car," she says. After all, there is no lack of buyers in the stalls of the flea markets.

* Factors Inhibiting Japanese Investments Viewed

90SM0144A Sao Paulo EXAME in Portuguese
20 May 90 pp 30-34

[Article by Gustavo Camargo, with contributions by local EXAME bureaus]

[Text] When the first petroleum "shock" occurred in 1973, two certainties inhabited the minds of Brazilian politicians, government officials, and businessmen—one unpleasant, the other encouraging. The unpleasant one told of tough days ahead. The other predicted that all the difficulties would soon become easier to solve via a veritable boom in Arab investments in Brazil. The years passed, and neither one nor the other turned out as expected: the country continued to grow for several more years but the petrodollars, as they were called at the time, never arrived, except under the external loan agreements signed with international banks—and everyone knows the end of that story.

During the past five years, the role of the knight in shining armor who rescues the fair maiden at the last moment has been played by Japanese investors who, so the legend goes, would be ready to disburse billions of dollars on the Brazilian market. Once again, however, time marches on, leaving only this harsh reality: 10 years ago there were 630 Japanese companies in Brazil. Today, there are only 450. During the decade of the 1970s, total Japanese investments, calculated according to Central Bank criteria, amounted to $1.35 billion. Only $984 million came in during the 1980s. So, we ask ourselves: why aren't the Japanese spending yens in Brazil as freely as they are in the United States? Answer: because Brazil, which seemed quite attractive in the eyes of foreign capital in the 1970s, lost her looks during the 1980s and, at least so far, is still considered homely.

"It would be a mistake to think that Brazil, all by itself, is a very attractive market for foreign companies," says Toshiro Kobayashi, chairman of the advisory council of Bank of Tokyo. "Most Brazilians might think Brazil is so alluring that any company from any country would be attracted by its charms and opportunities. Business decisions, however, are based on stone cold analyses and calculations." This reasoning also holds true for any businessman, Brazilian or foreign, but it is clear that it is particularly apt in the case of the Japanese, when one considers their actions in Brazil since Nippon capital began to flow in during the 1950s. Since then, Japanese capital has been present primarily in the processing industry; however, except in motorcycle sales, it has not

achieved leadership in any particularly important market. They keep a low profile even in sectors where, in other countries, the Japanese have long been the leaders—from video cassette players to television sets, through computers and automobiles.

Menu of Options

Despite the evidence, since May 1987 when then Prime Minister of Japan Yasuhiro Nakasone announced a $30 billion investment program for developing nations, hope stirred in many hearts, especially those of the economic authorities. It was 1987 when then Finance Minister Bresser Pereira sent his special adviser Yoshiaki Nakano, a Nisei, to Tokyo to present a menu of investment options to the Japanese Government. Bresser and Nakano left the government without seeing a single yen. When 1989 came along, the Japanese investment fund was increased to $65 billion and former Minister Mailson da Nobrega thought Brazil's turn had come. He sent emissaries to the Far East with another, more appealing, menu of options—but, in terms of real money, nothing came of it.

Of course hopes are raised from time to time. "The outlook for Japanese investments in Brazil is very good, and I am talking not only about investments by the big corporations, but also by the many Japanese who have recently become millionaires and are looking for business opportunities," says Anselmo Nakatani, chief executive officer of Furukawa of Brazil, which makes electric wires and copper and aluminum conductors. "Whether those investments materialize depends much more on the Brazilian side." Elsewhere in the world, the corporation of which Furukawa is a part also makes electric machinery, telecommunications equipment, large computers, and robots, involving billions of dollars in annual sales. In Brazil, since 1974, Furukawa operates on a much more modest scale—its net worth here is only $70 million.

"The basic factors that inhibit Japanese investments in Brazil have still not changed," Nakatani says. "In order to attract capital, you have to create more favorable conditions, i.e., through economic and political stability and more open legislation." Even under those generic conditions, a whole thicket of obstacles lies in the path of foreign investors when it comes to contemplating starting or expanding business in Brazil. Strictly speaking, you could say that even if the government keeps its promises to deregulate the economy, open up the Brazilian market, encourage exports and expand imports, and end price control—even then there will be no avalanche of foreign investments.

"It is not enough just to create favorable conditions," says Takashi Goto, president of Yanmar of Brazil, a group that makes tractors, diesel and gasoline engines, and is also active in smelting. "Consumption capacity is not high enough to support new investments." When they evaluate the Brazilian market, Japanese businessmen do not usually take into account all of Brazil's 140 million inhabitants. They use the number of consumers, actually much smaller—about 30 million people. "Population is not synonymous with consumption," says Kobayashi. The banker's calculations show that the City of Tokyo alone has a higher potential consumption than does all of Brazil. "With less than one tenth of Brazil's population, but with annual per capita income of $20,000, Tokyo is much more attractive than Brazil," he said.

Up Over the Mountain

It might seem like an exaggeration, but when you are talking about big investments, the size of the available consumer market usually carries a lot of weight. Just look at the case of the Japanese auto makers, whom President Fernando Collor is trying to lure to Brazil. Early this month, former Minister of Agriculture Joaquim Roriz met in Tokyo with Makio Amazaki, director of the Americas division of Nissan, Japan's second largest auto maker, to ask Nissan, at Collor's behest, to be more aggressive and to speed up its investments in Brazil. In this instance, the Brazilian Government acts as if Japanese auto makers are anxious to unload their equipment in the port of Santos and climb the Serra do Mar to set up shop in the Paulista ABC [refers to industrial cities of Santo Andre, Sao Bernardo do Campo, and Sao Caetano do Sul]. Judging by what the Japanese assembly plants who are already established in Brazil have to say, the reality is something else again.

Toyota of Brazil sold 5,000 vehicles last year, according to its director of administration, Tadatsugu Tanaka. As Japan's largest auto manufacturer, with annual sales on the order of $50 billion, Toyota has been in Brazil since the end of the 1950s, but holds a minuscule slice of the vehicle sales pie. Its stake in Brazil is small and is likely to continue so for quite a while. This year, because of the shock treatment which the government applied to the economy, expectations are that sales will fall to 4,500 vehicles and that planned investments of $12 million will be cut. "With that outlook, it is hard to imagine how the facilities can be expanded," Tanaka said.

In order to build a factory of major proportions in Brazil, Toyota would have to invest about $1.5 billion, and then it could manufacture about 250,000 cars a year. However, it will be quite some time before the domestic market will be able to absorb an additional output of anything beyond 50,000 vehicles. That would leave Toyota with enough idle capacity to build 200,000 cars. Importing might be a more plausible alternative, but that wouldn't be easy either. The biggest problem is how to set up a dealer network large enough to serve the consumers. "Our network here is very small and, in fact, it is not prepared to handle passenger cars," Tanaka explained.

Sixth Place

In order to get any idea of how important this point—vehicle service—is to Japanese auto makers, we need

only cite a recent instance of something that happened with a Japanese diplomat in Brasilia. He had contacted a certain Japanese company to see about buying a car, since he is authorized to import one. However, the manufacturer turned down the deal, explaining to the diplomat that it does not like to risk not being able to serve its customer properly owing to a lack of service facilities in Brazil. "We Japanese take customer service very seriously, even after the product has been delivered and paid for," says a diplomat from the embassy in Brasilia familiary with the case.

Without favorable conditions, the Japanese would not increase their investments in Brazil. "Problems associated with the infrastructure, such as transportation, telecommunications, and energy, are a concern," says Yanmar's Goto. He pointed out that ever since last year, Eletropaulo has been setting strict limits on electricity usage, especially during the peak hours. "How can we expand our business if we can't be sure that there will be enough electricity tomorrow to keep the production line going?" he asks. This question was raised in the report prepared in 1989 by a Japanese mission that traveled to Brazil and Mexico to assess the conditions for investments. In February 1989, a group of 29 businessmen and Japanese government officials visited Sao Paulo, Rio de Janeiro, and Brasilia to contact representatives of both the private sector and the government.

At the end of their stay, the mission wrote a report that came to serve as a guide to business in Brazil and Mexico. "Brazil today ranks sixth among the nations that receive the most Japanese capital—Mexico ranks 19th on the list," says the report. "But a series of factors, such as accumulated indebtedness, high inflation rates, inconsistent economic policies, and controls on foreign capital—among others—have curbed investments." Specifically as regards Brazil, the report recalls that until 1974, the country usually didn't specifically identify foreign capital, and even today does not have a law governing those investments. "But the two petroleum crises and the growing external debt led the country to assign maximum priority to protecting and encouraging its own companies," the study points out. "That tendency still persists."

The Japanese mission felt that the absence of a law regulating foreign investments, although it may have helped attract foreign capital during a certain era, causes problems today. "Foreign capital transactions are executed by a certain number of agencies, and not only is the legal foundation for various procedures and systems opaque, its implementation also lacks transparency," the report states. The reference here is to the bureaucratic hurdles that often hinder deals for companies established in Brazil, especially transactions connected with imports of machinery, parts, and components. Such imports are particularly dear to the hearts of Japanese corporations.

"The Japanese businessman does not look only at a country's domestic market when he thinks of investing," says business consultant Jorge Hori, an advisor to Brazilian state enterprises that do business with the Japanese, such as Vale do Rio Doce and the steelmakers. "The Japanese look at the global market and are interested in countries where they can import and export freely and that has the kind of structure that can support an intense flow of trade," he adds. "It happens that Brazil, despite the change in stated policy, is still seen as a country where they want to accomplish everything through import substitution alone. The Japanese long ago stopped considering that model as a satisfactory basis for their business deals."

In The Wrong Direction

In this consultant's opinion, not only has the announced liberalization of foreign trade not yet been put into actual practice, but it points in the wrong direction. "Collor is making a mistake that the Sarney administration, with all it did and failed to do, never made: he is confusing the opening up of the economy with authorization for the upper middle class and the rich to start buying imported trinkets," says Hori. "If opening up and modernizing the economy means taking controls off the importation of luxury cars and Scotch whiskey, then Paraguay would be the prototype of a modern and developed nation." Along those same lines Kobayashi, of Bank of Tokyo, acknowledges that the government is taking drastic steps to control inflation, but believes they are not enough by themselves. "A long-term industrial policy must be adopted, and measures taken to stimulate capital formation."

On that aspect, he believes that the administration has not yet said what it has in mind. "Japan adopted a rigid industrial policy during the postwar period, one that also protected its industry, but it set deadlines for companies to get stronger and start competing," Kobayashi said. "But you cannot keep the domestic industry shielded for 30 years." That statement, incidentally, would be endorsed by many American businessmen, who are irritated with the protection that the Japanese Government affords its local industry by levying stiff duties on foreign goods. As regards capital formation, the banker thinks the administration has taken a step in the wrong direction. "By sequestering savings, the plan has destroyed credibility in the financial system and jeopardized the formation of capital," he states. Not that such measures are entirely foreign to the Japanese. "We were not alarmed by them," says Furukawa's Nakatani. "During the postwar period, all the savings held by the Japanese were reduced to about $20 per person after similar measures were adopted," he says. "Accompanied by a series of other actions, the battle against inflation was successful in Japan. We hope the same thing happens in Brazil."

In their attempt to lure Japanese investments, Brazilians have also been hampered by a lack of knowledge as to how investment decisions are made in the home offices of Japanese firms. "It often happens that Brazilian missions go to Tokyo, they are received with great

courtesy, and they think that the deal has been closed. "Only later do they realize that they were simply well received." In Japan, when a project involves a decision by the entire board of directors—and this is normally the case—it is essential that each of the directors be prepared in advance with a detailed explanation of the transaction, its long-term feasibility, and its advantages over other available options. This is part of a process that the Japanese call "nemawashi"—something like laying the groundwork—in which each member of the board expresses his opinion and viewpoints. Only after that phase has been completed does the subject actually find its way onto the agenda for decision. "Foreigners have a hard time understanding that process," says Nakatani. "That is why a foreign minister who visits his Japanese colleague before the preparation and persuasion process has taken place hears only diplomatic pleasantries, while in fact nothing has been decided."

Buried Underground

Another mistake made by Brazilian missions that frequent Japanese corporate headquarters is to point to the size of Brazil's territory and its abundant natural resources. "You must not confuse the modern businessman with the colonizers of the past," Kobayashi says. "Investors look for bigger benefits or higher profits, not physical space." Along the same line of argument, mineral resources are not very convincing, either. "It is no use keeping ore buried underground," says Seiji Ishikawa, vice president of YKK of Brazil, a subsidiary of the Japanese group Yoshida Kogio K.K., which in this country is responsible for slightly more than half the market for zippers, has a joint venture with Albras, is quarrying granite, and is engaged in agricultural projects.

Ishikawa complains of frequent changes in the rules of the game as they apply to mining. Not only has the Constitution now banned foreign companies from the field, but projects such as Albras' aluminum production may run aground because of a breach of the terms of the original contract. That agreement called for government incentives on the supply of electricity, incentives that would follow the trends in world aluminum prices. "You cannot destroy an investment this way when it has already been in place for 10 years," says Ishikawa. The case of Usiminas is another instance of a joint venture with Brazilian firms that has turned out to create problems. Late in the 1950s, Nippon Steel joined with the Brazilian Government to set up Usina Siderurgica de Minas Gerais, and acquired a 34 percent share of the capital.

Where To Send the Bill?

A long time afterward, under an accord reached late in the 1970s, it was agreed that the entire iron and steel sector, including both state and private enterprises, would pay only 10 percent of the IPI [Manufactured Goods Tax]. The other 90 percent would be returned to the steel mills as a subsidy, for investment. It so happens that in the case of Usiminas, the entire IPI credit was recorded in the name of the government shareholder, i.e., Siderbras. Nippon Steel got taken, despite the fact that Brazilian private steel companies received the subsidy in full. The result was that because it would not agree to that procedure, which it considered discriminatory, the Japanese did not participate in the subscriptions of capital which Siderbras made in the project. So now, Nippon Steel has only a little more than three percent share in Usiminas. Furthermore, now that Siderbras has been abolished, the Japanese have no one from whom to collect the IPI credits that were given out for more than 10 years.

That kind of problem has unfavorable repercussions among Japanese investors, especially their parent companies. "Japanese executives are very attentive to what happens to subsidiaries established in other countries, even when these are not really subsidiaries of the companies they manage," says Nakatani. The practical result of that situation is the stagnation of Japanese investments in Brazil in recent years, at a time when those same capital resources are moving, in ever larger volumes, in the direction of the United States, Europe, and Asia. "Unfortunately, today, Brazil has been stricken from the map," says Nakatani. Even developments in Japan itself work against an expansion of that country's investments in Brazil.

What is happening is that after 34 years of dominating Japanese domestic politics, the Liberal Democratic Party is losing strength in the Japanese parliament. That has had the effect of reducing the ability of the government and the Keidanren, the confederation of Japanese employer associations, to intervene in corporate investment decisions. "At the same time as they are gaining in their own financial strength, Japanese multinationals want to become more independent of internal politics," observed Prof. Kotaro Horisaka of Japan's University of Sofia. Horisaka, who lived in Brazil for several years, said in a paper on bilateral relations between Brazil and Japan, that those political changes are making it more difficult to carry out new, major investment projects in Brazil, the kind that involve associations of companies from several sectors, brought together under Keidanren leadership and having financial backing from the government. That was how efforts such as the Albras, Cenibra, Nibrasco, and Siderurgica de Tubarao projects came to be launched in Brazil.

The Japanese, of course, hold out the prospect of streams of new investment funds fed by the recycling of Japan's trade surplus with the rest of the world, when they try to obtain better terms for the capital they have already invested in Brazil. This money is piling up, but many people have lost all hope of ever seeing it invested in Brazil. Former President Jose Sarney says of Japanese money: "It is like the horizon. The closer you think you have come to it, the farther away it is." No matter—what is certain is that Brazil must achieve stability in its economy, needs to reform and start investing again in its infrastructure, and has to set permanent rules to govern

the activities of both Brazilian and foreign companies. Otherwise, we will be left with only reality, harsh reality.

Foreign Minister Returns From Europe, U.S.

PY0407010690 Brasilia Domestic Service in Portuguese 2200 GMT 3 Jul 90

[Report by Gustavo Mariani from Brasilia]

[Text] Foreign Minister Francisco Rezek today returned to Brasilia from Europe where he held meetings with officials in France and Portugal. He did not, however, discuss the use of nuclear weapons with French Prime Minister Michel Rocard.

While there, Rezek discussed the current Brazilian economic and political situation, explaining in detail what has been done and what remains to be done. He also discussed the position of our trade partners, analyzing the current international political situation.

The foreign minister did not, however, talk with the French prime minister about the French reluctance to sign the Tlatelolco Treaty which forbids the testing of nuclear weapons in the South Pacific.

[Begin Rezek recording] The Brazilian position on this matter is well known, and we would like to see the position of other governments respected. I know that other governments were already aware of the French Government's position on this matter, even before my departure. I thought that the French Government would provide an explanation at any moment, and that there would have been no need to insist on the matter. [end recording]

Regarding the visit that Portuguese President Mario Soares will make to Brazil, the foreign minister said that it will take place only after President Collor's visit to Lisbon in October 1990. He also said that Portuguese Prime Minister Anibal Cavaco Silva will make a working visit to Brazil by the end of the year.

President Receives Swiss Economy Minister

PY0407022090 Brasilia Domestic Service in Portuguese 2200 GMT 3 Jul 90

[Text] This afternoon at Planalto Palace President Fernando Collor de Mello received Swiss Public Economy Minister Jean-Pascal Delamuraz. Through its subsidiary companies in the country, Switzerland is today investing some $3 billion in Brazil.

At this afternoon's Planalto Palace meeting, the Swiss economy minister told President Collor that his visit is aimed at strengthening trade relations between the two countries. He was accompanied by 23 Swiss businessmen. This group feels that Brazil will acquire great importance in the future world economy.

Congress To Suspend Recess, Approve Budget

PY0507043190 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 4 Jul 90

[Text] Minister Jose Neri da Silveira, Federal Supreme Court chairman, has just announced that the National Congress will suspend its parliamentarian recess in order to debate the bill on the national budget. Minister Neri da Silveira said that Senate Chairman Nelson Carneiro's decision to return the bill to the Executive Branch before voting is unconstitutional.

List of Products With Price Controls Reduced

PY0507115090 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 4 Jul 90

[Excerpt] The government has suspended controls on the prices of powdered milk, chicken, eggs, and all cleaning products. Controls on the prices of 24 of the products on Sunab [National Superintendency of Supplies] list have been suspended. The list now contains only 11 products: second-class beef, type-c milk, black beans, rice, flour, coffee, sugar, bread, soybean oil, margarine, and common pasta. The prices of some of these products will go up tomorrow, however. The price of rice will go up 10 percent, black beans 25 percent, sugar 12 percent, and soybean oil 10 percent. [passage omitted]

Senate Employees Arrested for Smuggling Weapons

PY0607024290 Brasilia Domestic Service in Portuguese 2200 GMT 5 Jul 90

[Text] Two Senate employees have been arrested for smuggling electronic equipment and large-caliber weapons into the country. Their arrest was due to the fact that the Federal Police have been investigating the group for three months.

Federal Police agents have arrested Claudio Luis Salgueiro, a Senate security officer, and (Joao Pedro Jaquelo), congressional secretary for Senator Roberto Campos. They have been accused of smuggling electronic equipment and large-caliber weapons into the country. The two were caught red-handed, and tapes, telephones, printers, and 10 large-caliber weapons, such as an Uzi submachine gun that can fire 700 rounds per minute and a nine-mm (Kalin), which is totally unknown in Brazil, were seized.

(Koases de Luto), the Federal Police's press adviser, explained how the smugglers were arrested.

[Begin recording] [(De Luto)] The operation began with an surveillance operation against a shop belonging to one of them and the other's house. This was followed by raids on these premises.

[Reporter] Can a congressman's aides bring this kind of equipment into the country?

[(De Luto)] I still do not have sufficient details to confirm whether his position as a congressional adviser

provides him with favorable conditions in which to operate. Evidently, we are going to investigate each aspect of this situation and find out who cooperated. [end recording]

According to the police officer, the investigation will continue in order to see what was going to be done with the weapons. The two people involved in the smuggling are under arrest at Federal Police headquarters, and they have been placed at the disposal of the courts.

* Progress in Heavy Water Production Discussed

90WP0099A Rio de Janeiro O GLOBO in Portuguese 26 May 90 p 16

[Article by Elza Oliveira]

[Text] Curitiba—By the end of this year, Brazil may succeed in producing 40 liters of heavy water (deuterium oxide) in a concentration of 99.6 percent. The first steps toward mastering that technology—which the country cannot acquire abroad because it has not signed the Nuclear Non-Proliferation Treaty (NPT)—are being taken at the Brazil Peroxides plant in Curitiba. Under the terms of an agreement signed with the National Nuclear Energy Commission (CNEN) last year, the firm is beginning the process of concentrating heavy water, which is used as a moderator in natural uranium reactors like those used in Argentina.

Yesterday marked the start of the project's third phase, the purpose of which is to achieve a 10-percent concentration—that is, 100,000 parts per million. The remaining 90 percent will be the responsibility of the CNEN, which will organize the fourth and fifth phases of concentration at the Parana Technology Institute (Tecpar) or at the commission's own laboratories in Rio de Janeiro. The process being used is catalytic exchange combined with electrolysis.

"Signing the Non-Proliferation Treaty is the same as submitting to the law of the strongest. We are not interested in developing nuclear weapons, but if Brazil were a signatory to the document, we could not even carry out this research," says engineer Teofilo Portela Chagas, who is overseeing the project for the CNEN.

He says that Brazil needs the technology for obtaining heavy water in order to guarantee its development because all the projections indicate that hydrogen will be the fuel of the future.

"There is no such thing as bad technology. What there is is bad use of it: the same knife that we use to slice a good barbecue can also kill a person," says Chagas, a student of the nuclear question who was a member of the first research group for the production of heavy water. That group was set up at the IME [Military Engineering Institute] in 1964.

Brazil Peroxides was chosen to be a partner in the research—since heavy water, being a material used in the nuclear industry, is a monopoly of the Federal Government—because the firm has the necessary facilities for carrying out the project at low cost. The plant has a unit for the electrolysis of water that was intended to produce 15,000 metric tons of hydrogen peroxide (oxygenated water) per year, and it can produce as much as 22,000 metric tons per year.

Marcio Coimbra, the firm's industrial manager, says: "From the standpoint of Brazil Peroxides, this project enables us to study the possibility of reducing the cost of producing electrolytic hydrogen by recovering deuterium oxide as a byproduct."

Chagas says: "Fossil fuels are going to become scarce, and hydrogen, which is renewable and nonpolluting, will be the main engine fuel in the next century. One proof of this is the fact that the Mariner interplanetary probes launched by the United States are looking for the existence of heavy water in the universe, and they have found deuterium in the atmospheres of Jupiter and Saturn. Perhaps that is where spacecraft of the future will refuel for their trips through space."

Correction to Internal Revenue Service Rules

PY0307125090

The following correction pertains to the item headlined "Revenue Service Issues Tax-Withholding Rules" published in the 3 July Latin America DAILY REPORT, page 33, column two:

Paragraph two, sentence one through sentence two make read: ...10-percent income tax, with 2,747 cruzeiros withheld by employers as advance payment of income tax. People making more than 91,591 cruzeiros per month will pay a 25-percent income tax, with 16,486 cruzeiros withheld in advance payment of their income tax. (rewording to end of item)

Chile

Government Expresses 'Approval' of Bush Proposal

PY0507191290 Santiago Radio Chilena Network in Spanish 1700 GMT 5 Jul 90

[Text] The government has expressed its approval of U.S. President George Bush's proposal to establish a new society of the Americas [asociacion de las Americas] for the development of trade, investment, and growth. This was announced by Secretary General of Government Enrique Correa.

Correa pointed out that this announcement opens up a broad spectrum of possibilities in vital developmental areas that the government is ready to explore to establish mutually beneficial agreements. Correa also said that the government hopes that the Bush statement will represent a breakthrough in the removal of impediments to hemispheric trade.

[Begin Correa recording] We hope that the U.S. Government proposal will represent a resolute breakthrough in the abolishment of all obstacles that still prevail in hemispheric trade and represent a renewed effort to combat international protectionism.

We applaud the U.S. Government offer to open its market to products of regional interest in GATT negotiations. [end recording]

Correa added that this new society of the Americas must be established through just and equitable participation among federal states.

The secretary general of government said in conclusion that the authorities are convinced that the U.S. President's proposal creates important opportunities for Latin American development.

Mexican Envoy Presents Credentials, Ties Resumed

PY0407013290 Santiago Radio Cooperativa Network in Spanish 2300 GMT 3 Jul 90

[Summary] New Mexican Ambassador to Chile Horacio Flores de la Pena has presented his credentials to Foreign Minister Enrique Silva Cimma at the Red Room of the Foreign Ministry, thus normalizing relations between the two countries.

Ambassador Flores de la Pena said Chile and Mexico must make an effort to recover the time they lost following the break in diplomatic relations 16 years ago.

Social Democratic Party Elects New Leadership

PY0207144090 Santiago Domestic Service in Spanish 1100 GMT 2 Jul 90

[Summary] The Social Democratic Party [PSD] elected its new leadership at a meeting this past weekend. Deputy Roberto Munoz Barra was elected chairman; Amador Navarro, Senator Mario Papi, Sergio Toro, Jorge Salinero, Americo Bascunan, and Sergio Topaz were elected vice presidents; Jorge Ibanez, secretary general; Raul Nunez, under secretary; Eugenio Velasco, president of the PSD National Council; and German Urzua, president of the PSD Political Affairs Committee.

MIR Head Interviewed on Violence, Future Plans

PY0507123490 Santiago LA SEGUNDA in Spanish 27 Jun 90 pp 10-11

[Interview with Patricio Rivas, member of the Political Commission of the Movement of the Revolutionary Left, MIR, by Juan Rauld; place and date not given]

[Excerpts] [passage omitted] [Rauld] What does the Movement of the Revolutionary Left [MIR] political plan consist of?

[Rivas] There are three basic ideas: the struggle for a democracy with socialism, unlike the current proposal by the leftist sector for democracy with capitalism; a socialism where individual rights, full political competitiveness, and succession of power play a true role; and, finally, a framework in which exploitation gradually disappears. We no longer believe that a revolution should be a disastrous process at a certain time, but rather something more complex, more like the bourgeois revolutions that took more than 300 years to fulfill their objectives. [passage omitted]

[Rauld] Does this mean there will be no more violence?

[Rivas] That possibility should always be contemplated. The use of power will decrease as socialism accumulates power. We do not deny the fact that in the past we carried out an armed resistance against Pinochet, but we did so to defend ourselves from a genocide. We have evolved. Throughout the development of our historic socialist project there will be moments of conflict and there will always be some violence. The challenge lies in knowing when it will be necessary and when not.

[Rauld] What is the recent MIR proposal to reveal details of its armed actions based on?

[Rivas] We are willing to assume the political responsibility for our popular resistance. With it we contributed to the success of the Coalition of Parties for Democracy, although there are cases in which our actions were not helpful. But we do not intend to reveal names nor talk about our concrete actions; this is what Pinochet wants to do, to individualize the processes. We will only assume collective responsibility if the Armed Forces also do so.

[Rauld] In general, what does "assume political responsibility" mean?

[Rivas] The Armed Forces should admit that from the legal and practical standpoint there was no war in Chile and that they used arms to restructure the country. They must admit there was a genocide. None of the generals would go unpunished if submitted to a Nuremberg trial... Therefore, the military officers should assume their penal responsibility before the court.

[Rauld] What does assuming responsibility for violence mean to the MIR?

[Rivas] It means recognizing that we offered an armed resistance and that some of our actions contributed to the leftist sector's reconstruction process while others harmed it.

[Rauld] Will the MIR assume penal responsibilities?

[Rivas] No, because the judicial branch does not carry out justice and because ours was a democratic resistance to the dictatorship. What the military carried out, on the other hand, was a genocide disguised by state terrorism.

[Rauld] Do you believe that reporting information will entail assuming responsibility for acts of violence?

[Rivas] Like any other MIR member, I am willing to assume responsibility for the MIR's actions during the past 16 years. What we are not willing to do, I repeat, is to reveal names. The institutions always have a common goal. We do not see the rightist sector nor the military as willing to imitate this dignified action.

[Rauld] What is your opinion on the actions of the Manuel Rodriguez Patriotic Front?

[Rivas] I acknowledge the valuable role they played during the armed struggle. I believe, however, that they are mistaken regarding the transition period that began on 14 December. There is no room for violence for two reasons: There are no more legitimate reasons for an armed struggle; and because this type of action puts the victims and the offenders in the same category. For instance, the attack against [former Carabineros officer] Fontaine eliminated a chance to clarify some violations of human rights. [passage omitted]

[Rauld] Will the MIR be legalized?

[Rivas] The MIR wants to become a political group. We have not discussed the possibility of becoming a party, but we did in fact run candidates in recent labor union elections, and we want to present candidates in the upcoming municipal elections. The leftist sector must also have a candidate in the 1993 presidential elections. It must revive the revolutionary Allende line. [passage omitted]

Consumer Price Index for June, Year Reported

PY0407184090 Santiago Radio Chilena Network in Spanish 1700 GMT 4 Jul 90

[Summary] Enrique Silva, director of the National Institute of Statistics, has reported that the consumer price index totaled 2.2 percent in June, 11.2 percent for the first half of this year, and 24.8 percent for the past 12 months.

Colombia

Castro, 14 Leaders To Attend Inauguration

PA0607043990 Paris AFP in Spanish 0408 GMT 6 Jul 90

[Text] Bogota, 5 Jul (AFP)—Cuban President Fidel Castro and 14 Latin American heads of state will attend new Colombian President Cesar Gaviria's inauguration on 7 August, according to sources close to Gaviria who were quoted by the Caracol network today.

The presidents who will visit Bogota include, in addition to the Cuban leader, those of Venezuela, Ecuador, Uruguay, Argentina, and Brazil.

The sources added that, upon conclusion of a private visit to Madrid, Paris, and London, Gaviria said that no head of state from the old continent will attend his inauguration.

Castro will return to Colombia after 42 years, because in his days as student agitator and when he participated in a youth congress he became involved in the 9 April 1948 events, caused by the assassination of Liberal leader Jorge Eliecer Gaitan, which occurred at a time when the OAS was born as a result of a Pan-American conference in Bogota.

The Cuban president's presence will demand the adoption of strict security measures, particularly considering that Havana and Bogota broke diplomatic relations in 1980, when Julio Cesar Turbay Ayala's Administration denounced an alleged Castroite support for the then thriving M-19 [19 April Movement] guerrilla organization.

Nevertheless, the two nations maintain active commercial and political ties and close contacts at international forums.

Sources close to Gaviria recalled that—as part of his policy of achieving a rapprochement with Latin America—Castro has recently attended the presidential inaugurations in Ecuador, Brazil, and Mexico.

Ecuador

Presidency Official Denies Lying to Indians

PA0307223090 Quito Radio Quito in Spanish 2300 GMT 2 Jul 90

[Text] Presidency Secretary Gonzalo Ortiz has stated that the national government has not deceived the native aboriginal population, as their leaders claim.

Ortiz added that aboriginal leaders Mario Pares and Cristobal Papuy are misinformed and that is why they are accusing the government without any basis. He explained that what he said in a national network on 28 June was that the 16 points they have submitted are being studied and that some have been partially (?accepted) while others have not, because they fall under other state jurisdictions.

He said that if the members of the native population want to join the FUT [Sole Workers Front] national strike, they should not seek a pretext to justify such action.

In conclusion, Ortiz said that the government is serious and honest in its dealing with the native population.

Paraguay

Rodriguez Message Welcomes Bush Proposal

PY0607030490 Asuncion ULTIMA HORA in Spanish 5 Jul 90 p 13

[Text] President Andres Rodriguez has welcomed with pleasure the new guidelines for U.S.-Latin American

economic relations which were announced recently by U.S. President George Bush as an "initiative for the Americas."

This is what President Rodriguez wrote his U.S. colleague in a message that stated: "The Latin American peoples harbor new hopes in view of the possible implementation of a new plan that will guide U.S.-Latin American economic relations." He stressed that "these economic ties will be based on free trade, investment, and a new view of the foreign debt burden."

Rodriguez stated that "this new step taken by President Bush paves the way for a solution to the structural crisis affecting the region."

Rodriguez also referred to his recent U.S. visit and his meeting with the U.S. President, to whom he expressed his "pleasure at having had the opportunity to explain the most important issues concerning the new system that prevails in Paraguay and bilateral relations."

Argana Says Bush Plan 'Very Favorable'

PY0607031790 Asuncion ULTIMA HORA in Spanish 5 Jul 90 p 21

[Text] Foreign Minister Luis Maria Argana has described as "very favorable" the "initiative for the Americas" that was proposed by U.S. President George Bush. This proposal deals with regional trade, a decrease in foreign debt, and investments, particularly in Latin American countries.

Argana said: "We are already aware of this document's contents. We received it on 28 June, and I will soon submit it to the president, so that he may be informed."

Argana said that if the "initiative for the Americas" proposal is achieved, Paraguay will undoubtedly reap many benefits because it will strengthen the national economy. He added: "It will have a similar effect in other Latin American countries. This will allow us to defend our markets, particularly during these times of reconciliation between East and West Europe, which makes West European countries invest in East Europe."

Speaking about the financial support that may be granted by developed and industrialized countries, the foreign minister said he is convinced that Latin American and developing countries will experience "tough" situations in the next four or five years.

Argana said that developing countries in Latin America will be more affected in regard to investments "since European investors are much more attracted to East Europe because it is closer and because of the high qualifications of Europcan workers and craftsmen. Thus, investments will pour into East Europe, and Latin America will suffer."

Argana also said that the Paraguayan Government will study the "Initiative for the Americas" proposed by Bush. He said that "this proposal will surely be discussed by the foreign ministers of the Americas. This is still very new and we have not yet had time to study it. In principle, we can say that it is a very important pact, and it is a cause of much hope."

Regarding Paraguayan ambassadors that must still be appointed to several countries, Foreign Minister Argana said that the Paraguayan Government wants to appoint the proper persons to diplomatic posts. He added: "We are most concerned about the Paraguayan Embassy in Spain in view of the upcoming visit of King Juan Carlos."

Uruguay

Correction to Lacalle Response to Bush

PY0307134090

The following correction pertains to the item headlined "Lacalle Promotes Response to Bush Proposal" published in the 3 July Latin America DAILY REPORT, page 37, column two:

Paragraph four, sentence one through sentence two make read: ...of the Americas, and after meeting today with ALADI Executive Secretary Jorge Luis Ordonez, we have asked Uruguayan Ambassador to ALADI [name indistinct] to.... (correcting punctuation, rewording)

Venezuela

Government Sets Public Transportation Fare Hikes

PA0607031390 Paris AFP in Spanish 0131 GMT 6 Jul 90

[Text] Caracas, 5 Jul (AFP)—Augusto Farias Viso, transport and communications minister, announced today that the social democratic government of President Carlos Andres Perez decreed a hike of Venezuelan transportation fares of between 35 and 40 percent, beginning tomorrow, Friday [6 July].

When he announced the hikes, the minister recalled that the government has granted pensioners, retirees, and those who earn less than $156 (7,500 bolivares) a $10.50 (500 bolivares) transporation bond since a month ago. He said that without this bond the hikes would be around 60 percent.

The government justified the raises by insisting that current fares mean the ruin of public transportation and that the money is needed to improve public transportaion and overhaul the engines on current transportation units. "We are about to introduce about 200 improved units throughout the country," Farias said.

On 14 June, backing down from the last few weeks' wave of protests, Perez decreed the hike in petroleum-derived fuel prices, except for gasoline—despite the pact with the

IMF to raise it through gradual increases—to the price level of exports ($0.13 a liter). Gasoline is curently sold at $0.06 a liter.

An increase in public transportation fares, because of the doubling of gasoline prices, set off on 27 February 1989 the "Caracazo"—the violent riots that shook Venezuela for three days and ended with an official death toll of 276.

Nevertheless, Perez insisted that the price of gasoline will be increased. Analysts have agreed that the increase will take place within days or weeks after having decreed the Friday public transportation fare hikes.

Guyana

Bank Official Notes Success of Cambios

FL0607013390 Bridgetown CANA in English 2155 GMT 5 Jul 90

[Text] Georgetown, Guyana, July 5, CANA—The cambios established by the government earlier this year to pull more foreign currency into the banking system, have so far traded about U.S. 20 million dollars, a top-ranking official of the Bank of Guyana said. The official, however, expressed concern about the continuing decline in the value of the Guyana dollar at the cambios where, on Thursday, the U.S. dollar was being traded at a record high of 70 Guyana dollars compared with one for 55 when the first cambios opened their doors just over 16 weeks ago. "It is a tightrope game being played", he told CANA.

The first cambios were opened on March 13 in keeping with the provisions of the government's licenced dealers in foreign currency legislation.

The Central Bank official said the cambios have been able to attract "quite a significant amount of foreign exchange.., averaging between about 1.2 million and 1.4 million U.S. dollars per week". This means that for the sixteen weeks since the new arrangement has been in place, the cambios have been able to attract between 19.2 million dollars and 22.4 million dollars. The official continued: "It means that (the cambios) are capturing more flows than used to come to the official system which used to capture less than half of the amount of foreign exchange the cambios are capturing".

The official system, he noted, tended to attract only about two million to 2.5 million U.S. dollars per month. The official system, he explained, "used to choke off the demand for foreign exchange" by means of the licensing and payment arrangements that were in place at the time. He said that under the previous arrangement where the Central Bank "made supply meet the demand", there was a lot of unsatisfied demand for foreign exchange and many persons never even contemplated purchasing foreign exchange. All that has changed, however, and "now that the system is being more liberally administered, more people are taking the opportunity to purchase foreign exchange," the official said.

Referring to the recent increases in the exchange rates for the three currencies being traded at the cambios—the U.S. dollar, the Pound Sterling, and the Canadian dollar—the official said any further drop in the value of the Guyana dollar should be considered "unnecessary and not very helpful in achieving balance".

For most of the latter half of May, the exchange rate for the U.S. dollar at the cambios hovered around 60 for one. By June 15, however, when the government announced a further devaluation of the Guyana dollar by moving the official Bank of Guyana rate from 33 Guyana dollars for one U.S. dollar to 45 for one, the rate at the cambios had climbed to around 65 for one.

Referring to the current situation, the official said: "It is said that market forces are the best determinant for allocating resources and that is what is happening here now. The market forces are at work."

"The demand for foreign exchange obviously exceeds the supply and therefore one would expect the rate to move. But the fact that there is money to finance purchases at these higher rates, shows that there is still a lot of money in the system..."

Suriname

Airport, Dock Workers End Strike 'Temporarily'

FL0407123590 Bonaire Trans World Radio in English 1130 GMT 4 Jul 90

[Text] Suriname's airport workers and dock workers have ended the strike that paralyzed the airport and harbor. A trade union council met yesterday with the union organizing the walkout and agreed to go back to work at least temporarily to give the government time to show its intentions. The strikers wanted higher pay, economic reform in the country, and more government control over the military.